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AMERICA AND THE WORLD 1992/93

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1 THE NEW INTERVENTIONISTS *Stephen John Stedman*

A new doctrine for American foreign policy is gradually emerging from the tumult of the first post-Cold War years. Like the doctrine of containment that opened the crusade against communism, the new strategy of interventionism is inchoate in its first expressions, ill thought out in its implications and its chosen instruments. Neither the United Nations nor the United States has the necessary will or resources to bring peace in the dozens of civil wars that now mar the global landscape from Bosnia to Somalia, Liberia to Cambodia. Interventions driven even by moral or humanitarian impulses may actually prolong the civil strife they seek to resolve.

17 QUEST FOR A POST-COLD WAR FOREIGN POLICY *James Schlesinger*

American foreign policy is in danger of responding to a capricious sequence of events, rather than to defined guideposts and a clear sense of priorities. In view at the start of a new administration is a vast array of worthy objectives, as if all could be pursued simultaneously and successfully. In fact, many goals are in conflict and all require difficult trade-offs. Support for democracy and for human rights are unsteady guides to policy; economic pressures or attempts to stifle the flow of armaments conflict with other interests. America's limited political capital must be husbanded, to be expended only when the society's fundamental interests are at stake.

29 THE NEW EUROPE: YESTERDAY'S GHOSTS *Josef Joffe*

Liberated from the Cold War, European nationalism ran rampant in 1992. The absence of a compelling strategic interest in war-torn Yugoslavia precluded foreign intervention, and "an absurd replay of yesteryear's battles" found newly unified Germany on the side of the former Hapsburg states, with Britain, France and the United States tacitly backing Serbia. To attract the capital for east German reconstruction, Germany chose to raise its interest rates, scuttling the powerless European Monetary System. A rise in fascist street-fighting and widespread hypernationalism inspired mass demonstrations of German tolerance and liberalism.

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John Edwin Mroz
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58 ASIA/PACIFIC CHALLENGES *Robert B. Oxnam*
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1992 was a year of confusion and drift in the management of the international economy. The numbers—for growth, income and employment—were bad and public perception turned sour. Uncertain of its standing in the world, the United States provided little leadership in trade or finance. Europe and Japan, preoccupied with their own economic and political problems, were unable to fill the gap. By the fall, a paradox was plain to see: the United States conducted a domestically oriented presidential campaign while evidence mounted that only the United States was in a position to lead internationally for the next decade or longer. As 1993 started, there was hope for better days based on U.S. economic recovery and President Clinton's instincts to be an internationalist and a free trader.

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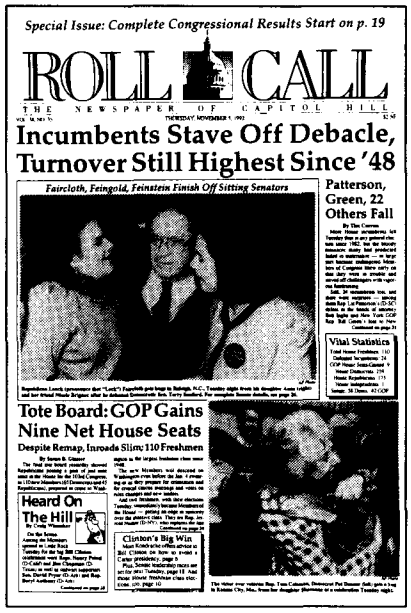
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167 DANGERS OF SLOW GROWTH *Leonard Silk*
The most protracted period of slow economic growth since World War II has contributed to dangerous political and social unrest around the globe. The growth rate of the industrial countries has declined from 4.4 percent in 1988 to 1.7 percent in 1992. In the same four years, the United States averaged about 1.2 percent growth a year. Meanwhile the ex-communist economies lost more than one-third of total output. Slow growth has undermined political leaders and incited nationalism and protectionism. It also has crimped efforts to deal with economic development, environmental management and migration. Cures start at home in forceful U.S. measures to lower the deficit, increase investment and spur technological innovation.

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The post-1945 free-trade regime is giving way to an emerging "market access" regime that is more flexible about border barriers but more demanding about "fair competition" policies and about access for investment. In this new commercial environment, free trade and protectionism are proving to be a false dichotomy. As corporations globalize and create elaborate commercial partnerships, governments have to create a new global framework and tools for managing world commerce. In the market access regime, there will be roles for expanded industry codes, bilateral, minilateral and regional bargaining—all coordinated by a reformed General Agreement on Tariffs and Trade. The order of the day will be multilateralism from the bottom up.

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PREFACE

Forcing the Spring

AFTER AN ENDLESS campaign, confused transition and expensive inaugural, President Clinton's time to govern has finally arrived. He begins with the usual boost in public opinion polls that greets incoming presidents. He also begins amidst mixed expectations, particularly in political and international circles.

Thus despite an uplifting inaugural address, the Clinton era starts with dichotomous portraits. One is of a perpetual campaigner unable to make hard decisions; the other is of a new-generation Democrat, gifted with political skills and fresh ideas. On the campaign trail Clinton raised hopes with promises of more active government, and he fueled doubts about his toughness to end the drift and confusion afflicting the United States and the world. During the transition, Clinton's drawn out personnel selections, early hedges on campaign promises and slight attention to a legislative agenda left the impression of an administration still incubating.

His inaugural address, well crafted and surprisingly brief, was a mixture of optimism and realism. He sounded confident in taking up the domestic challenge of renewing America. Of international matters, he said little beyond the need to lead abroad while rebuilding at home and his intent to act through diplomacy where possible, with force when necessary. America's greatest strength, he asserted, comes in the spread of democratic ideas.

For foreign leaders keenly aware of their stake in America's performance, the new president's portrait remains to be filled in. To them Clinton is an unknown quantity without foreign policy experience, whose campaign rhetoric contained attention-getting hints of protectionism.

On the eve of his inauguration, Clinton sought to reassure the diplomatic corps of continuity in American foreign policy and the maintenance of a strong military. He also supported his predecessor's post-election interventions in Somalia and Iraq.

In international affairs, several tests will quickly illuminate Clinton's true nature. The first is to create a framework for guiding post-Cold War foreign policy—one that incorporates a workable vision that is clear about its limits. Second is to

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advance collective action to manage global problems such as the environment, peacekeeping and arms control. Iraq, Bosnia, Somalia and Haiti are immediate collective concerns. Others will follow relentlessly. Third is the urgent need for Clinton to be a triple threat in economics, achieving successes in deficit management, trade expansion and economic growth.

Vague Goals vs. Specific Interests

CLINTON'S ADVOCACY of democracy, higher profile for human rights and assertive advancement of U.S. economic interests are legitimate components of America's relations with other states and societies. They are not, however, substitute generators for the traditional motors of foreign policy. If pursued without due regard for other interests, these shibboleths can satisfy the morality of intent but not the morality of results.

China, whose poor human rights record has rightfully caught Clinton's attention, illustrates the real world complexities. It is the fastest growing major economy—one rapidly becoming an important element in global investment and trade.

Pressure for political change in China has to be applied without isolating this emerging power. If pushed too hard and bluntly, it can become a rogue state, capable of harming the economies and threatening the security of the United States and its Asian allies. As precept, the Clinton administration should look to past decades of American experience with the Soviet Union. The United States pressed for human rights and democracy, achieving results over time, without sacrificing the entire relationship.

Excessive interventionism can entrap the United States in conflicts it does not understand and cannot resolve, thus sapping the nation's resources and eroding the public's confidence.

The dangers of public disillusionment can be topically illustrated on another front. In a recently released poll taken by the Times Mirror Center, 51 percent of Russians now prefer an authoritarian leader and only 31 percent want democracy. In a similar poll in 1991, 39 percent favored a strong hand and 51 percent wanted democracy. Support for the Russian parliament dropped to 17 percent from 45 percent.

A majority of Americans support the incoming administra-

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tion's emphasis on collective responses to peacekeeping, humanitarian aid, environmental management and the like. However, the primary institution for collective action—the United Nations—is about to burst from new assignments for which it has not been granted sufficient resources. The result—as witnessed in Somalia and Bosnia—is anger and dismay by afflicted peoples at the ineffectualness of the United Nations.

Underfunding is compounded by countries that have not fully paid their dues, including the United States. A serious Clinton commitment to collective processes starts by backing up rhetoric with resources. At the same time, attention must be paid to inadequacies of international law and to structural weaknesses such as can be found at the United Nations. Its cumbersome and inefficient bureaucracy needs reform and its Security Council needs expansion to include Japan and Germany.

Economics provides the most promising arena for U.S. leadership. To date, Clinton has exhibited impressive knowledge of economic issues and just as impressive avoidance of hard choices that will determine who has to sacrifice what. Given the linchpin importance of deficit management, Clinton must quickly allay fears raised by his penchant to compromise, to please, to yield to pressures. Worst-case scenarios envision born-again Carterism—of doing too much too soon for too many interest groups.

In the shuffle, deficit reduction might be delayed and possibly short-circuited. Yet confidence that the United States is managing down its deficit is a prerequisite to ample domestic programs, sufficient aid to Russia and global economic growth in general.

Related to the inflated deficit is chronic slow economic growth that is contributing to widespread loss of confidence in political leadership and to rising protectionism and nationalism. It is one source of rising crime rates and other social ills. And it is crimping aid to developing countries and prompting migrations of poverty-stricken peoples.

In trade matters the world is poised between promising expansion or damaging regression—if the Uruguay Round is not completed or the General Agreement on Tariffs and Trade falls short as an ongoing institution of liberalized trade. In such a situation the emerging regional trade associations might negate rather than complement efforts to expand global trade.

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Legacies of World War II

A BALANCED REGARD for democracy, human rights and economic advantage need not lure the United States into dangerously vague diversions from well-documented national interests. In pursuit of clarity, further definition is needed of Clinton's inaugural pledge to consider using American military force when "the will and conscience of the international community is defied." Meanwhile, several key strategic objectives, pursued since World War II, still await completion.

Yet to be written is the final chapter of containment that envisions a peaceful incorporation of Russia and the other former Soviet republics into the society of liberal nation-states. Given Russia's nuclear capabilities and its potentially destabilizing effect on a wide ring of neighbors, the objective remains a priority.

In Europe the United States has backed unification, incorporating Germany, as the best chance for long-term stability. Now new challenges to that vital goal loom both east and west of the old Iron Curtain.

Alliance between the United States and a democratic Japan has been seen as the key to security in the Asia/Pacific region and to a healthy global economic order. It is time for both parties to strengthen this bilateral relationship to assure that it prevails over periodic trade frictions.

Without peace in the Middle East, threats will continue to oil supplies, to the survival of Israel and to the containment of anti-Western Islamic fundamentalism. The Bush-Baker peace talks, struggling to stay alive, cry out for a fresh infusion of top-level U.S. involvement.

These and other topics are more fully examined in this turn-of-the-year issue of *Foreign Affairs*. The picture of the world that emerges is unsettling and hardly allows the United States to relax or withdraw. The United States can turn inward to address domestic problems, but as a complement—not a substitute—for the guiding American hand in a still dangerous world. Given President Clinton's desire to focus internally "like a laser beam," he must work to lower the heated temperature of such crises as Bosnia and Iraq. To do so will take not only his winning energy and enthusiasm but also his untested skill and judgment.

JAMES F. HOGE, JR.
Editor

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THE NEW INTERVENTIONISTS

Stephen John Stedman

A New Foreign Policy Doctrine

NOT SO LONG AGO we could confuse the end of the Cold War with the end of history and entertain the possibility that we had survived the famous Chinese curse of living in interesting times. A new era of international security seemed about to dawn, where even the most protracted conflicts appeared solvable. International mediation in Angola, Cambodia and El Salvador led to negotiated settlements of long civil wars and revived the hope that ballots, not bullets, would finally determine the fate of peoples around the globe.

But as Ralph Ellison cautioned in his masterpiece, *Invisible Man*, history is not an arrow but a boomerang. Just when the end of the U.S.-Soviet rivalry held out the promise that rationality and reason would triumph over ideology, the world witnessed the bloody dissolution of states in Yugoslavia, Somalia, Liberia and Ethiopia. So, too, came the revival of virulent nationalism throughout the former Soviet empire and genocidal campaigns on the fringes of western Europe. Even those successful cases of mediated civil war now hover on the brink of renewed bloodshed. The fortunes of history, it seems, have as much to do with the persistence of hatred and memory as with the vicissitudes of grand ideologies.

Yet the end of superpower rivalry continues to entrance America with the chimera of a new world order. That illusion, alongside often violent disorder in many states, has produced a kind of "new interventionism." This outlook combines an awareness that civil war is a legitimate issue of international security with a sentiment for crusading liberal internationalism. The new interventionists wed great emphasis on the moral obligations of the international community to an eager-

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ness for a newly available United Nations to intervene in domestic conflicts throughout the world.

Thus future historians may compare 1991 and 1992 to the years just after World War II, when the doctrine of containment evolved. Like that time, the last two years have seen a series of events, precedents, incremental decisions and policy rationales give birth to a new doctrine of American foreign policy. While that new doctrine remains inchoate, a few important facets are visible and suggest that the United States, far from turning inward, may be taking upon itself a more crusading, interventionist role in world affairs.

Many eager advocates of this new doctrine lack a sufficient sense of the dilemmas, risks and costs of intervention. They often fail to take account of the special dynamics of civil war or the realistic limitations of the United Nations as the chosen vehicle for action. The precepts of this new doctrine chafe at traditional notions of sovereignty, remain contradictory and are leading international actors toward largely uncharted domain. Followed unthinkingly, the new interventionism could become increasingly expansive, until the United States and the United Nations ultimately take on tasks for which they are ill-prepared, leaving themselves embroiled in numerous internal conflicts without the will or resources to bring peace to any.

A Doctrine of Dubious Presumptions

THE UNPRECEDENTED U.N. DECISION on December 4, 1992, authorizing the deployment of military force to provide humanitarian relief to starving Somalis was the culmination of year-long pressures. Well before the deployment of 21,000 U.S. troops, congressional leaders from both parties and many in the media had for months urged massive intervention, including establishing a U.N. trusteeship if need be.

But Somalia did not stand alone as a cause worthy of international intervention. Many of the same chorus of congressional leaders, political pundits, television commentators and print journalists also clamored for U.S. military action to stop Serbian aggression in the former Yugoslavia. They endorsed war crime tribunals against Serbs, demanded firmer action to protect and feed afflicted Bosnians and castigated U.N. peacekeepers for their unwillingness to engage armed partisans attempting to thwart humanitarian relief. In turn, U.S. and

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U.N. intervention was urged for Liberia, East Timor, Sudan, Zaire and Haiti as well.

The new interventionists seek to end civil wars and stop governments from abusing the rights of their peoples. They assume that civil war today is more prevalent, violent and threatening to international security than in previous eras. They believe that active international intervention is necessary to bring a semblance of order to the post-Cold War world, based on the dubious presumption that the Cold War's end makes internal violence somehow more tractable. But their often contradictory demands for intervention—either mediation, an active combat role on behalf of a warring side, or simply shielding civilians caught in the middle—belie a lack of coherent understanding of peacemaking in internal conflicts.

"The new interventionists seek to end civil wars and stop governments from abusing the rights of their peoples."

The new interventionists advocate "a new humanitarian order in which governments are held—by force, if necessary—to higher standards of respect for human life." They contend that "the protection of ethnic, religious and other minorities endangered by conflict and alienated from a hostile government is now increasingly a recognized obligation of the international community." To adherents of this approach, sovereignty is no longer a tool for creating international order, but a "political constraint" on international action.[1] In the words of former U.N. Secretary General Javier Pérez de Cuéllar, "We are clearly witnessing what is probably an irresistible shift in public attitudes toward the belief that the defense of the oppressed in the name of morality should prevail over frontiers and legal documents."[2]

The new interventionists seek to establish guidelines to ensure that the United Nations polices any regime failing to meet the broadly and often ill-defined "humanitarian needs" of its people. Such a rule is possible, they believe, because the

[1]From Francis M. Deng and Larry Minear, *The Challenges of Famine Relief: Emergency Operations in the Sudan*, Washington (DC): Brookings Institution, 1992, pp. 8, 131 and 119.

[2]Quoted in David J. Scheffer, "Challenges Confronting Collective Security: Humanitarian Intervention," Scheffer, Richard N. Gardner and Gerald B. Helman, *Post-Gulf War Challenges to the U.N. Collective Security System: Three Views on the Issue of Humanitarian Intervention,* Washington (DC): United States Institute of Peace, 1992, p. 4.

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end of the Cold War has vanquished the ideological constraints on intervention in the domestic affairs of U.N. member states. Guidelines for intervention would mark a significant shift in the long-standing meaning of the terms of international relations. Sovereignty would no longer reside with states but with the people within them; self-determination would no longer refer to peoples, but to individuals. Precedent, rhetoric, faulty generalization and expectations: such is the stuff of doctrine.

Doctrine Reunites American Liberalism

THE NEW INTERVENTIONISM has its roots in long-standing tendencies of American foreign policy—missionary zeal, bewilderment when the world refuses to conform to American expectations and a belief that for every problem there is a quick and easy solution. It reunites divided strains of American foreign policy liberalism: traditional Wilsonian liberalism, defined by support for international organizations and self-determination of peoples; and its Cold War cousin, defined by anticommunism.

The challenge of explaining the new interventionism lies in providing an account of how two camps at odds for most of the last 25 years can today find common ground. The key to resolving the mystery is found in the insight of former Harvard professor of government Louis Hartz: that all Americans are liberals, united in their commitment to freedom and the belief that the future of their freedom depends on freedom flourishing everywhere.[3]

Over the last forty years, however, Cold War liberals tended to a Manichaean view of world politics. They believed that America had to engage actively in mortal combat with an evil and implacable Soviet foe. The perceived dangers of international communism prompted Cold War liberals to advocate intervention globally in an attempt to prevent regimes even vaguely sympathetic with communist ideals from coming to power.

The reaction to Cold War liberalism was an alternative steeped in the Wilsonian tradition. Issues like the Vietnam War, nuclear strategy and U.S. support for authoritarian regimes split America's liberal consensus. The generation of

[3]Louis Hartz, *The Liberal Tradition in America*, New York: Harcourt Brace Jovanovich, 1955.

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the 1960s saw Vietnam as immoral and a betrayal of the American belief in self-determination. The U.S.-Soviet arms race, too, was judged as a threat to international security, prompting Wilsonian liberals toward international organizations and negotiation as a way out of the nuclear dilemma. Wilsonian liberals railed against American support for authoritarian regimes as a policy that compromised American values respecting human rights and self-determination.

"The new interventionism has its roots in long-standing tendencies of American foreign policy...."

The end of the Cold War finally allowed these competing liberalisms to recombine. The two groups slowly found common ground on respect for human rights, their belief that the internal character of regimes has implications for international peace, and on their support for international organizations to reform, and even sometimes to remove, rogue regimes. Right and left have thus come to agree on the broad outlines of America's future foreign policy.

The reunion was also made possible by changes in each liberal strain. The horror and revulsion over Vietnam had led the Wilsonian liberals to an almost categorical opposition to American intervention abroad. In 1978, for example, when Senator George McGovern called for international intervention in Cambodia to stop the Khmer Rouge genocide of its own people—anticipating in some ways the thrust of the new interventionism—his former anti-Vietnam allies dismissed him out of hand. The Vietnam analogy was frequently invoked when the question of American military intervention was raised.

Wilsonian liberals had couched much of their opposition to American intervention abroad in terms of respect for national self-determination and support for individual human rights. Yet a contradiction exists between these two goods—respect for national sovereignty may preclude intervention in the face of a government's horrific violations of the individual and minority rights of its own citizens.

Mounting evidence of the corruption and brutality of many Third World regimes (and rising claims to self-determination in the aftermath of the Cold War) eventually led many

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Wilsonian liberals to abandon their commitment to self-determination. By the late 1980s international opinion, which had often served as a brake on the crusading tendencies of American foreign policy, began to concur. A consensus emerged among international lenders that economic and political conditions on aid were necessary for Third World development and government reform. Wilsonian liberals had finally resolved the contradiction between self-determination of peoples and human rights, opting in favor of the latter.

For Cold War liberals, meanwhile, the collapse of the Soviet Union released them from the need to support authoritarian regimes as bulwarks against global communism. They also came to appreciate the potential of international organizations and international law, a shift best explained by apprehensions about the costs of providing order in the post-Cold War era.

As consensus emerged in the 1980s that economic power was the dominant currency of international relations and an important component of national security, Cold War liberals opened to the possibility of a larger U.N. role in security affairs. Collective security, they hoped, could help alleviate America's crushing defense burden and massive public debt. This new-found courtship, however, has its limits. Former Cold War liberals do not wish to relinquish America's international leadership. Rather, they see the end of the Cold War as making international organizations more ideologically predisposed to follow the American lead.

The Gulf War's Errant Example

FOR THE NEW interventionists the Gulf War is a watershed of international cooperation and consensus. It should, they believe, serve as a model for a new system of global collective security. International order is seen as flowing from the credibility and capability of a unified community of nations, unshackled from ideological polarization, to deter any act of interstate and internal aggression.

Actions taken by the United Nations in response to Iraqi attacks on its Kurdish population are now renowned as setting important precedents. In particular U.N. Security Council resolution 688, which allowed that an act of internal aggression may be deemed a threat to international order, is interpreted as establishing humanitarian intervention in a state's affairs as a legitimate response of the international community.

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Overlooked, however, are the many special circumstances that make the Gulf War an unlikely model for future collective responses. While the war was sanctioned by the United Nations, the military action remained firmly under American command and control. While international forces drove the Iraqi army from Kuwait, the costs of the operation ran upwards of $70 billion. And while U.N. resolution 688 established legal precedent, its practical relevance may be moot: U.N. protective forces entered Iraq only after Operation Desert Storm demolished what was the world's fourth largest army, thus destroying Iraq's capacity to resist. In short, humanitarian intervention could work in Iraq because it followed, not preceded, the most successful U.N. peace-enforcement mission ever.

The Gulf War and the subsequent protection of Iraqi Kurds nonetheless provided the basis for Operation Restore Hope in Somalia as well as the legal rationale for the 22,000 U.N. troops providing humanitarian relief in Bosnia. Many new interventionists claim that precedent has been set for peace-enforcement—that is, war—against Serbia and for humanitarian intervention in Liberia and Sudan as well.

But the model of the Gulf War—a limited mandate to fight a conventional war in the vast openness of a desert—may be relevant only to wars involving secession of relatively homogeneous populations in readily defined territories. Rarely does such a situation occur.

Toward Selective Intervention

BILL CLINTON comes to the presidency sympathetic to the new interventionism. His election marks the accession to power of a generation intent on making America live up to its professed ideals. But to avoid an increasingly expansive doctrine that risks extending American intervention to all areas of the globe, Clinton must scrutinize the underlying assumptions of the new interventionism.

Foremost, a more realistic perspective of internal state violence would avoid much of the new interventionist hysteria surrounding civil war in the post-Cold War era. Such wars are no more frequent than before. At present there are 18 civil wars; in 1985 there were 19. Civil wars today are no more bloody than those past. The U.S. civil war cost upwards of 600,000 lives; the Spanish civil war of the 1930s and the

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Nigerian civil war of the late 1960s killed on similar scales.

Today's civil wars should not be expected to be more amenable to negotiation; they will remain among the most difficult conflicts to settle politically. In the twentieth century about 18 percent of civil wars ended with the elimination or unconditional surrender of one party. Moreover, the same percentage of civil wars was settled in the period before the Cold War as during it, suggesting that it is the dynamics of internal conflicts that account for their intractability.

"...to avoid an increasingly expansive doctrine ...Clinton must scrutinize the underlying assumptions of the new interventionism."

The end of the Cold War peels away but one layer of conflict from civil wars, only to reveal a host of others beneath. While there was a short window where the *ending* of the Cold War provided the superpowers leverage to settle various disputes such as Angola and El Salvador, the actual *end* of the Cold War significantly reduces their ability to influence former internal allies.

Nor will outside intervention aimed at defeating recalcitrant warring groups—even if undertaken by the United Nations—prove any more likely to succeed in the post-Cold War era. For example, some new interventionists have insisted that the United Nations use military force to compel the Khmer Rouge to abide by the 1991 Paris Peace Accords. But why should the United Nations be expected to succeed where the Vietnamese army, one of world's most disciplined, could not? Likewise, what would enable the United Nations to defeat Angola's UNITA when the Cuban army had failed to do so?

U.N. troops may carry international legitimacy, but internal parties will still command the asymmetries of civil war: parties win by not losing; the will of those who intervene will wane over the long term if resource and human costs run high; and intervention will be one of many commitments for outsiders, whereas internal actors will be singleminded in their dedication. The primary advantage this new era affords for enforcing peace in places like Cambodia or Angola is that the superpowers will no longer equip rival factions. But such factions have already proven adept at maintaining access to weaponry, as

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bordering states often have incentive for continuing to arm warring sides.

The guiding principle of the new interventionism—the international community's obligation to intervene wherever a state or group within a state fails to meet the humanitarian needs of its people—cannot be enforced consistently. To do so would dictate intervention in every civil war as well as in states with regimes so repressive as to destroy even its incipient threat. Potential cases for intervention far outstrip available resources. Intervention will have to be selective, and a moral principle applied unevenly will leave even well-intended international actors variously open to charges of hypocrisy, cowardice, neglect or self-interest.

Some internal wars are also more threatening to international security than others. Hundreds of thousands of refugees from the Balkan war place heavy burdens on newly independent east European states undergoing transitions to democracy. Left unchecked, Serbian aggression could advance to Kosovo and Macedonia, raising the specter of broader interstate conflagration. The war in the Balkans is a greater danger to international security than civil wars in Somalia, Liberia or Sudan because it may overwhelm Europe's political stability and economic productivity, prerequisites for Third World development. Even in Africa, Mozambique's civil war bears the greater stakes, threatening to flood southern Africa with refugees or to overwhelm South Africa's tenuous transition to majority rule and economic renewal, which would wreck a boon for the entire continent.

While there may be cause for the United States and United Nations to step into civil war for reasons of international security, the goal of intervention must be clearly defined. Only a combination of coherent strategy, sufficient leverage and a keen sense of timing will allow a third party to bring peace. Most civil wars become amenable to settlement only after they have played themselves out with ferocity. A short-term emphasis on ceasefires may only prolong conflicts and mitigate against parties perceiving that their survival depends on political settlement. While attempting mediation or urging negotiation, third parties may inadvertently prolong conflicts. A decision to try combatants for war crimes, say, may assuage our sense of justice but work against a negotiated end.

Many civil wars may have to be allowed to run an ugly course. Herein lies an irony that clouds the clear morality of

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many new interventionists: the possibility that humanitarian assistance may extend war and anarchy rather than end it. Aid to besieged populations, if it assists prolonged resistance, may only end up costing more lives. Likewise, arming a weaker party in the belief that justice calls for a "fair fight" may simply produce a permanent state of war. Fewer lives may be lost if one side wins outright. Moreover, a decisive victory is sometimes the best result, followed by a forward-looking conciliatory peace.

There are no panaceas for internal conflicts. The hope that international intervention in one war will prove a deterrent elsewhere is simply that—a hope, with little evidence to justify it as a proposition and plenty to suggest that domestic tyrants do not learn from other cases. Civil wars and ethnic rivalries have histories and dynamics all their own that diminish the effects of precedents set elsewhere.

Finally preventive diplomacy, while a reasonable expectation for avoiding interstate war, is more difficult for internal conflicts. In the 1980s some analysts predicted that Yugoslavia would collapse into civil war; today one would be hard pressed to find an expert who does not believe Zaïre will soon collapse into war as well. Yet such predictions are different from knowing exactly when internal violence will begin. Predicting civil war is akin to predicting earthquakes: analysts know the fault lines running beneath the surface and can provide probabilities and estimate time periods, but they cannot say with any confidence when the big one will strike.

Recognizing U.N. Costs and Limits

PRESIDENT CLINTON will need a realistic sense of what the United Nations can and cannot do. The United Nations is simply incapable of playing the role that the new interventionists demand of it. Only if used with a prudent sense of its costs and capabilities can the organization play a limited role in bringing peace in the world.

The organization is currently overextended and underfunded. During the last three years it has been involved in 14 peace missions, the same number of missions as undertaken in all its preceding 43 years. The estimated cost of peacekeeping has grown from $750 million in 1991 to $2.9 billion in 1992, of which member nations have contributed only $2 billion, leaving a shortfall of almost $900 million for this year alone.

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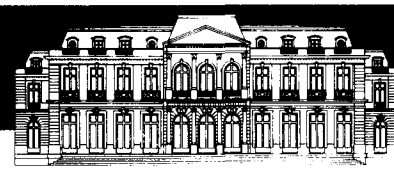

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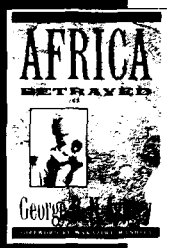

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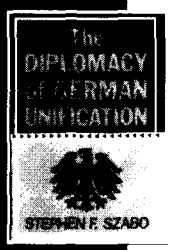

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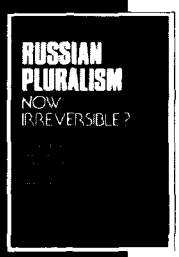

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These figures do not include U.N. commitments to Somalia and Mozambique, which could double U.N. expenses.

The scope of U.N. involvement in civil wars has expanded dramatically. In addition to peacekeeping the United Nations is now expected to extend protection to noncombatants and food convoys, to supervise, monitor and sometimes run elections, to oversee land reform, to document war crimes and, if need be, to provide order when societies and governments break down. The United Nations has somehow taken on a mythic status as the cure for all ills. Yet it has not received the resources necessary to carry out even the tasks it has embarked on already, let alone to meet the open-ended commitments of humanitarian protection called for in Yugoslavia and Somalia.

Despite its expanded role, the United Nations remains wedded to previous doctrines sharply delineating peacekeeping and peace-enforcement on the basis of enemies. In peacekeeping there is no enemy, and success depends on keeping it that way. In peace-enforcement the United Nations determines an aggressor and sets out to defeat or deter it militarily. There is a clear enemy and mission, and the rules of engagement are broader than merely returning fire in self-defense.

Yet recent demands for U.N. intervention in civil wars present dilemmas for U.N. troops, revealing a yawning gap between tried doctrines and newly appointed tasks. In the case of Bosnia, U.N. troops "providing protection" face enemies but lack a mandate to defeat them. In cases of peacebuilding—acting as referee in certifying elections and monitoring demobilization—U.N. troops may make enemies and eventually need to engage in peace-enforcement. Such is the case in Cambodia, where the Khmer Rouge refuses to meet treaty commitments and attempts to undermine the peace process. Finally, in Somalia the task of "providing order" could lead to the worst case: enemies on all sides and an open-ended commitment to administering the country.

"The United Nations is simply incapable of playing the role that the new interventionists demand of it."

The United Nations has built-in flaws that cannot be remedied simply by increasing its resources, capabilities and organi-

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zation. By its very nature the United Nations is prone to deliberation; that is the essence of a large bureaucracy that purports to represent all peoples of the world. Its strength—the ability to grant international legitimacy to an endeavor—at the same time forms its weaknesses: slowness, inefficiency and the possibility that the national interests of its members will block constructive collective action. A confusion of demands, the need for consensus in decision-making and the tendency toward incremental action rob the United Nations of coherent strategy when approaching intervention.

A review of past operations, however, shows that when a situation calls for classic peacekeeping—agreement between warring parties who have reasonable command and control over those with weapons—the United Nations can do the job. Although U.N. peace-building operations in Cambodia and Angola are at various stages of unraveling, U.N. experience in Namibia and El Salvador shows that the organization can indeed play a key role in ending civil war. Where parties to civil war have reached public agreement on ending hostilities, prompt and decisive action alongside commitment of adequate resources can make the difference. Strengthening U.N. capability to place peacekeeping troops on the ground quickly after settlements are reached would be a major contribution to peace.

The Lessons of Yugoslavia

FROM A STRATEGIC standpoint U.N. intervention in Yugoslavia has been a disaster. No overriding goal or cohesive plan exists. Steps resembling peace-enforcement—no-fly zones and sanctions—are implemented with no mandate to enforce them. Investigation and the threat of war crimes prosecution, which only make sense if the international community deems the war in Bosnia a total war, could work against a mediated settlement. Actions that resemble peacekeeping, such as repeated attempts to create and monitor ceasefires, assist the provision of humanitarian aid but work at cross purposes to the search for a permanent solution, as combatants merely use the pauses to regroup and gain tactical advantage. Measures to protect food and people—including a request to use Belgrade as a shipping depot for deliveries to Bosnia—weaken potential peace-enforcement operations. And provisions for the self-defense of troops protecting convoys and

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refugees may lead to de facto peace-enforcement, without the necessary commitment, planning and resources to ensure success.

The new interventionists argue that the lesson of Yugoslavia is that the time for international action is before crises become wars; the United Nations, they say, must improve its tools of preventive diplomacy. They contend that improving U.N. intelligence gathering and establishing a rapid deployment force of 10,000 to 60,000 troops will enable the United Nations to intervene rapidly in crises and to avoid future Bosnias and Somalias.

Yet such proposals skirt the crucial issue. Preventive diplomacy depends on quick, decisive action. Information and tools to respond to crises are necessary but insufficient without a firm decision and the demonstrated will to use them. The ability of the United Nations to respond decisively will always be inferior to the ability of individual states or small groups of states to do so.

The Balkan crisis is telling in this regard. Deterring acts of aggression within states is much more difficult than deterring acts of aggression between states. It should be remembered that at the beginning of the Balkan war there was no Slovenia and no Serbia, but a state called Yugoslavia. Knowing what the world knows now, injecting 30,000 troops between Croatia and Slovenia may have been a good idea. But at that time many in the United Nations desired that Yugoslavia stay Yugoslavia. A decision to inject troops into the conflict would have been seen by many as prejudicing the internal conflict toward a secessionist outcome.

The crises over Slovenia and Croatia made apparent the different strategies among Western powers for avoiding war. Germany argued that quick recognition of those states might prevent war; U.N. special representative Cyrus Vance believed that recognition would increase the possibility. Germany's strategy might have worked if Europe had closed ranks behind it. But coming on the heels of German unification, a united European response was stymied by fears that Germany would dominate European decision-making and that Croatia's authoritarian past would revive the unseemly prospect of a new German-Croat alliance. There also existed genuine confusion over whether Yugoslavia should be one or many. If Europe could not reach consensus on quick action, how could the United Nations?

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Peace-enforcement in the Balkans?

THE UNITED NATIONS has set the stage for peace-enforcement against Serbia, warning that Serbian actions in Kosovo could constitute a threat to international peace. Former Secretary of State George Shultz has urged the use of military force on humanitarian grounds to stop Serbian aggression in Bosnia. Ronald Reagan has called for forming "an army of conscience." And Western diplomats have discussed a host of specific measures—enforcing the no-fly zone over Bosnia, establishing war crimes tribunals for Serbian leaders, recognizing Macedonia and placing U.N. troops there to act as a trip wire in case of Serbian attack.

Yet peace-enforcement in civil wars requires a clear, compelling case for reasons of international security; humanitarian concerns are not enough. Indeed if humanitarian concerns—measured by deaths and genocidal campaigns—were the justification for military intervention, Bosnia would rank below Sudan, Liberia and East Timor. Serbian thugs are certainly rank amateurs compared to Cambodia's Khmer Rouge and Mozambique's RENAMO, both of whom have been accorded international legitimacy in the search for peace.

Peace-enforcement in civil wars is more difficult than peace-enforcement in interstate wars and often requires a long-term presence as an army of occupation. There are no clean civil wars: enemies are rarely concentrated, visible and vulnerable; it is often difficult to distinguish between civilians and soldiers or enemies and allies, and if one inadvertently confuses the two, soon there are no allies at all.

The war in Bosnia combines a war of secession with an internal war fought among a diverse population. Bosnians are nearly divided in thirds among Croats, Muslims and Serbs. Bosnian Serbs have fought because they do not want to be a minority in a state outside Serbia; Croats and Muslims have fought because they do not want to be minorities within a greater Serbia. It is unclear whether there is unified command and control among Bosnian Serbian militias. According to one count, no less than 19 separate armed groups are engaged.

Peace-enforcement in the Balkans should address the relationship between the conflict and its effects on international security. Action against Serbia should only be to deter aggression against Kosovo and Macedonia, to prevent escalation to interstate war and to weaken Serbia's capability to carry out

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further attacks. U.N. military intervention should not aim to end the war in Bosnia. U.N. troops would find themselves fighting a protracted guerrilla war. The war in Bosnia should be ended politically or militarily by the territory's various warring groups.

The Pitfalls for President Clinton

THE CLINTON foreign policy will likely be marked by competing instincts. A presumption of moral certitude and search for global social redemption may vie with a realistic sense of the limits of American power to bring peace and justice to a world marked by violence, brutality and political disintegration.

The new president inherits from his predecessor few clear guidelines about when and where to intervene militarily. George Bush's last major speech before leaving office reveals that the former president never resolved whether he was a realist or a liberal. Addressing the cadets at West Point, Bush spoke of America's moral and spiritual leadership and the threat of tyrants who "ignore the welfare of their own men, women and children." But he also warned against "universalism" and a perceived need for the United States to react to every "outrage of violence." The speech could provide grist for those who seek to curtail America's policing of the world or those who seek to broaden humanitarian intervention by the United States. It did little to quell demands for more forceful action in the Balkans.

If the United States joins in peace-enforcement against Serbia, President Clinton should seek to avoid an "elastic doctrine syndrome." Foremost, the new president must explain that military intervention is in America's own interests, that it is necessary to prevent a possibly larger interstate war that may involve NATO allies. Clinton should avoid the temptation of rhetoric that speaks of upholding the rights of peoples everywhere, of supporting the dictates of international morality or of doing, in President Bush's phrase, "God's work."

It will take courage. The American people prefer more lofty reasons to use military force than the unadorned truth that national interests are at stake. If Clinton chooses the rhetoric of the new interventionism, he should be prepared for the next case for intervention that the most vivid television images—depicting a world sharpened, simplified and devoid of

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context—thrust to the top of his foreign policy agenda, whether it be Tibet or Tajikistan, Myanmar or Malawi.

It may be, as the new interventionists insist, that the international community has begun to accept the proposition that interests of people come before the interests of states. Such a principle could be a valuable tool for creating a more just and secure world. But carried out absent a sense of limits and of political and economic realism, and if applied according to the dictates of television, rather than the national interests of the United States, not only will this new American foreign policy be unsustainable but the post-Cold War era will likely be more confrontational, conflict-ridden and violent than the one that preceded it.

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QUEST FOR A POST-COLD WAR FOREIGN POLICY

James Schlesinger

A Framework Is Needed

WITH THE END of the Cold War, the disintegration of the Soviet Union and the shrinkage and transmutation of the Soviet threat, the United States has lost the magnetic north for calibrating its foreign policy. Major decisions taken in recent years, seemingly firm in execution, rest upon an uncertain direction in underlying policy. The United States has strength to spare in responding to individual challenges, yet it clearly lacks the overall strength to respond to all challenges. It should avoid that heady feeling, induced by its triumph in the Cold War, that all things are now possible. It must learn, in this altered context in which there are no major rivals, to husband its strength and to choose with care those policy objectives that reflect interests sufficiently weighty that they can garner the public support to sustain them in the long run.

To this point the record is, at best, mixed. A plethora of foreign policy objectives has been put forward, as if all could be successfully and simultaneously pursued. We are urged to advance democracy and all its procedures, human rights, civil liberties, equality before the law, protection of minorities, self-determination, an orderly world, international law, economic growth, free markets, privatization, free trade, limits on environmental degradation, curtailment of the arms trade, prevention of the spread of advanced weapons, etc., etc. The list is almost endless. What is ignored is that some of these objectives are flatly in conflict and that all require the careful examination of trade-offs. Moreover, striking little attention has been paid to the relation between means and ends. Individual tools are assumed to achieve multiple objectives—with little heed

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paid to their inherent limitations. Sanctions on trade (otherwise presumed to be *liberalized* trade) are a perennial favorite—to be variously employed to punish aggression, punish terrorism, punish violations of human rights, restore democracy, raise labor standards, bring down (some) surviving communist states, prevent environmental degradation and so forth. In this case the list is extensive, though not endless.

With so many conflicting objectives and with an inability to focus those means appropriate for achieving a limited set of objectives, now foreign policy is likely to be shaped by a capricious flow of events—rather than defined guideposts and a careful plan.

In the absence of established guideposts our policies will be determined by impulse and image. In this age image means television, and policies seem increasingly subject, especially in democracies, to the images flickering across the television screen. To paraphrase John F. Kennedy: a videotape is more potent than ten thousand words. National policy is determined by the plight of the Kurds or starvation in Somalia, as it appears on the screen. "If a tree falls in the forest"—or a catastrophe occurs, but is unrecorded on tape—it is unseen. Starvation continues in the Sudan or Mozambique, suppression in East Timor or India, ethnic war in parts of the former Soviet Union, but it is Somalia or Bosnia that draw the attention, because the cameras are there.

The capital blunder committed by Deng Xiaoping may not have been the means he chose to suppress the demonstrations in Tiananmen Square, but rather to invite in the cameras of the Western media so that they were there to record the event. Were the cameras not there, the pressures in this country and elsewhere to impose sanctions on China for its violations of human rights would certainly be weaker—and for practical purposes might not exist.

In the past it was said, "Trade follows the flag"; these days it seems more pertinent to say that "sanctions or the troops follow the TV cameras." Given the immense power of modern media, inevitably policy must take into account these images that shape the public mind. Yet unless policy is to be swept along by a tide of such images, we must have a notion of what is important and unimportant to us, a clear idea of where we wish to go, established guideposts and governmental institutions that recognize that reality is both different and more complex than the images that flicker over the TV screen.

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The public mood is, of course, notably fickle. It can turn quite rapidly from enthusiasm to caustic criticism as the costs mount. Protecting beleaguered minorities or starving people will enjoy public support at least at the outset. One must recall that in the early stages Vietnam as well as Korea enjoyed overwhelming support. But when an operation bogs down and, particularly, when there are casualties that the public regards as disproportionate to the gains, that support will rapidly fade.

"Our political capital, both domestic and foreign, is limited and should not be expended recklessly."

The point underscores the need for selectivity. While America may have the physical strength to carry on three or more discrete operations simultaneously, it is not physical resources that constrain it. Our political capital, both domestic and foreign, is limited and should not be expended recklessly. Now that the direct threat to the United States has eased, one must assume that the public's willingness to be extensively engaged has also been correspondingly reduced. Indeed President Bush suffered in the polls, not because our forces were lengthily engaged overseas, but simply because the public felt that he was devoting too much attention to foreign affairs relative to domestic matters. Thus, for wise policy it remains imperative that the political capital of public support not be expended on secondary matters, but should be reserved to deal with those substantial matters that may pose a direct threat to our interests.

Tenuous Guides to Policy

LET US TURN now to a more detailed examination of some of the policy objectives suggested as complements or substitutes for the traditional precepts of diplomacy. Foremost perhaps is democracy, though it is not clearly separable from associated objectives such as human rights. Nor is support for democracy a novel development for the American society, tracing back to the unremitting pressure on President Washington in the 1790s to throw in America's lot with revolutionary France. In 1917 America went to war to "make the world safe for democracy." Indeed just a few years earlier

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President Wilson had sent troops to Mexico "to teach the Mexicans the meaning of democracy."

Such episodes, however, have proved more useful in expressing or mobilizing public emotion than they have in providing an effective guide to policy. Democracy is an organic growth. It is not easily made into a transplant. In the West it has evolved over centuries—and has come to embody an innate respect for civil liberties. Our efforts at transplanting democratic forms, let alone the democratic spirit, have been mixed at best. Recent American endeavors in such places as Panama, Nicaragua, Peru or Angola have not been notable successes. The final judgments have not been reached more broadly in Latin America, eastern Europe or the former Soviet Union. At this writing even Indian democracy seems to be fraying a bit.

An even deeper question is whether we seriously desire or prescribe democracy as the proper form of government for other societies. Perhaps the issue is most clearly posed in the Islamic world. Do we seriously want to change the institutions of Saudi Arabia? The brief answer is no; over the years we have sought to preserve those institutions, sometimes in preference to more democratic forces coursing throughout the region. King Fahd has stated quite unequivocally that democratic institutions are not appropriate for his society. What is interesting is that we do not seem to disagree. In neighboring Kuwait, a nation whose renewal has depended on American power, we have been far more concerned with restoring legitimacy than with fostering democracy.

In Algeria—when its military removed its president, suspended democratic elections and perpetuated the power of the traditional political elite—we readily acquiesced in the outcome. We swallowed our scruples (however strong they may be) because we shared the concern regarding the consequences of a fundamentalist victory. Do we really want to press greater democratization on Egypt? It would unlikely be beneficial either to our friend and ally, President Mubarak, or to Egyptian stability. Similar observations might be made about Tunisia, Morocco or even Jordan. Indeed, in the Middle East the Islamic state that has most successfully embraced democratic processes is none other than Iran. Yet few would suggest that we hold Iran in higher regard or that our relations are warmer than with other states in the region—to say nothing of whether we prefer a more democratic Iran than the Iran of the shah.

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The point is not that we should cease to preach American values or that we should fail to express delight when other societies move closer to democracy. The point is that, even before we examine the trade-offs regarding economic growth or ancillary actions regarding foreign policy or countless other matters, we must conclude that, at best, the fostering of democracy is a delicate and quite tenuous guide to policy.

A similar judgment seems in order for the fostering of human rights as a policy objective. It is far better in eliciting domestic cheers than as an effective guide to policy. Stable states, such as Saudi Arabia, do not seem especially susceptible to the expression of American preferences. Nor do unfriendly states, such as Syria. American pressures are most effective in influencing friendly or dependent states, such as the shah's Iran, but is it wise or even fair to apply pressure asymmetrically to those states that are closest to us?

Ever since Tiananmen Square the prime example (or proposed target) has been the People's Republic of China. China is an independent-minded, ideologically suspicious nation with a population five times that of the United States. Just that fact alone makes it difficult to coerce. Nor has China ever been notably susceptible to American pressures. If the Chinese government was unprepared to yield to American blandishments on so secondary a foreign policy issue as "punishing" Vietnam in 1978, it seems almost inconceivable that it would yield on a question that, in its judgment, compromises its domestic authority.

The United States can, to be sure, inflict significant economic damage on China, but it is still doubtful whether we can force it to change its internal behavior. While China has no effective way of striking at the United States directly, we can be quite sure that we would pay penalties in other arenas. Over the years the Chinese have perfected the techniques of playing the role of spoiler, and such techniques would undoubtedly be employed. While they cannot get at us, they can get at their neighbors, whose lives would likely become more uncertain, if not more unpleasant. China, moreover, remains in a position to thwart various American foreign policy objectives. A nation that possesses a veto in the Security Council and on which we depend for cooperation in other ventures such as nonproliferation, controlling the flow of weapons and/or technology (not to mention the Clinton administration's wish to persuade China to make sacrifices to

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avoid environmental degradation) is scarcely one that it pays to anger.

Traditional diplomacy would suggest that we not pick fights, but rather base our stance toward other states on whether they are antagonistic or friendly toward us—and not on their internal arrangements. Violation of the traditional tenets of diplomacy will come only at a cost to ourselves. All in all it might seem a wiser use of our energies to support democracy in Russia, where President Yeltsin has desperately sought outside backing, than to pressure China and thereby forfeit its cooperation in other areas we deem important.

"Violation of the traditional tenets of diplomacy will come only at a cost to ourselves."

A lack of analytical logic similarly affects the pursuit of secondary policy objectives—objectives less grandiose, no doubt, than proselytizing for democracy and human rights, but still no less quixotic. Take the question of the arms trade. We are urged—as if it were in our unilateral power—to stop the arms race in the Middle East, east Asia and other parts of the world. Yet we are to do so without compromising Israel's edge in military technology. We also must remain free to sell arms (for cash) to Saudi Arabia and Kuwait to bolster them against their neighbors. And, of course, arms must continue to be sold (on credit) to regional allies and friends like Turkey and Egypt. And then, of course, we also reserve the right during an election campaign to contravene a solemn diplomatic commitment and sell F-16 jets to Taiwan. Needless to say, there is no protest from the political opposition. Yet it surely sullies our image when we attempt to present ourselves as the paragon of the arms trade.

With a record such as ours it is rather incongruous to go to others and expect them to understand our needs for sales or employment or domestic political support, while brushing aside their needs. The United States is a rich and basically prosperous nation. Russia, Ukraine and now Slovakia are struggling, somewhat impoverished nations, whose industry is far more intensely geared to military production than is ours. To persuade them to limit arms sales would have required far different and bolder economic actions on the part of the out-

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side world than we have seen.

As long as there is an appetite for the purchase of arms, there will be sellers. (As in the drug trade, controlling demand is the real key.) Whenever the United States actually restricts itself with respect to arms sales, others eagerly move in. We may persuade some other suppliers to sign multilateral declarations to limit the arms trade. We would be ill-advised to take much comfort from such promises; they will not significantly affect behavior. As the world's leading arms supplier the United States opens itself to the charge of hypocrisy when it seeks to limit arms sales. If it is hypocrisy, quite clearly it is not limited to the United States.

Both more plausible and more serious have been the attempts to limit the transfer of advanced weapons and their technologies—missiles and bacteriological, chemical and nuclear weapons production capacities. It is a serious endeavor, but one that remains insufficiently focused. If we are to have a hope of success, we must focus primarily, if not exclusively, on preventing the further spread of nuclear weapons. Nuclear weapons are far more dangerous and far more destabilizing than are the other categories. Chemical agents can readily be produced in any fertilizer plant; biological agents in pharmaceutical plants. We shall not be able to preclude the spread of such capabilities unless (as in the case of Iraq) there is direct intervention. Missiles—without nuclear warheads—are not that menacing; they are more of a psychological weapon. While it is useful to slow down the spread of missiles, it will not be for long. There will be suppliers.

We should not significantly dilute our concentration or weaken our efforts on preventing the spread of nuclear weapons. We need to focus on those objectives that we may be able to achieve, and not fritter away our energies on secondary goals. Preventing nuclear spread both should be—and should be universally seen to be—a preeminent objective of American policy. Only through the concentration of our efforts can we hope to be successful on this critical matter.

As a final example, let us examine the vexing area of economic objectives and measures. To be sure, the United States wants to spur worldwide economic growth with less-developed countries increasingly partaking of a spreading prosperity—and to move generally toward more increasingly liberalized trade. We like to assume that economic growth is consistent with, if not fostered by, democracy—and, in recent years, have

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also assumed that economic growth is spurred by free markets unfettered by government intervention.

Regrettably the record is not particularly supportive. The most spectacular economic growth since the end of the post-World War II recovery has been in the authoritarian or quasi-authoritarian states of east Asia—the Four Tigers, Japan and now China. None have been especially burdened by the changeovers or the politicking of democracy. None have allowed markets to run free and unconstrained, but rather have insisted that economic activities be guided by state policy. All have strongly encouraged exports, discouraged most imports, suppressed consumption and wages, and spurred savings and investment in strategic industries, mostly with a strong export potential. In brief, government intervention has been an indispensable ingredient. It may be capitalism, but it is surely not laissez-faire.

Many developing states with democratic institutions have lacked the same firm control and have been obliged to yield to popular demands. Thus there may be some conflict between the introduction of democratic institutions and the pursuit of rapid economic growth. Many of the states now seeking new directions in economic policy quite simply reject the American variant of unfettered capitalism. For much of Asia the preferred model is Lee Kuan Yew, not Margaret Thatcher.

Nor is the American advocacy of the free flow of goods and investment seen in the pristine form that we would prefer. Reference was made above to the American proclivity to use economic sanctions, not only as a longstanding weapon against aggressors, but also to express our disapprobation for a lengthy list of delinquencies. In the past there has been an understandable reluctance to employ military force (a reluctance that seems to have declined, at least temporarily, in recent years), and economic sanctions on trade and in investment seemed an easy instrument to underscore our disapproval of others who had failed to live up to American ideals. Such expressions of disapproval may be what we prefer, but they are not consistent either with the promotion of free trade or with the effective use of trade as an instrument of economic growth.

This behavior leads to all sorts of contradictions. To cite one amusing example, we have regularly stated the keystone of our international energy policy: to maintain unimpeded access to foreign sources of oil. Thus others with nefarious

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intent will not be able to deny us the energy that the international economy requires. Yet despite this repeated emphasis on unfettered access, the United States at a recent point had embargoed petroleum imports from Iran, Libya, Iraq, Kuwait, and the Neutral Zone—to penalize the countries for an accumulation of historic grievances. The chasm between declared and actual policy is but one irony. If, as we attempted, we had successfully induced other nations to follow our lead in imposing such sanctions, it would have had severe economic repercussions by driving up the price of oil.

"Repeated and sudden interference with the flow of trade is a poor way to foster such trade and a greater international division of labor."

Other nations have come over time to expect and grudgingly accept such vicissitudes in American economic policy. A more general point must, however, be made. Repeated and sudden interference with the flow of trade is a poor way to foster such trade and a greater international division of labor. (Let us recall both our own and the industrial world's reaction to the impeding of the flow of oil by the Arab states in 1973–74 and by the Ayatollah Khomeini in 1978–79.) If enterprises fear that foreign markets or sources of supply may suddenly be denied to them for political reasons, they will be more wary of dependence on external supplies or external markets.

A parallel problem exists with respect to foreign investment. Aside from certain categories of strategic goods, the United States has generally advocated a free flow of international investment. However, the United States has also from time to time seized or appropriated foreign investments and frozen bank accounts and other financial assets. It has also insisted that American firms cease operations in selected foreign countries. Moreover, to the consternation of our principal allies, we have asserted the extraterritorial reach of American law over the foreign subsidiaries of American firms.

It is not necessarily to decry such actions to suggest that we would probably be well advised to reflect more before we embark upon them. There is a substantial gap between what

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we preach and, no doubt, believe about trade and investment and the actions that we are ready to take to achieve other political objectives.

It is a rather conspicuous contradiction. We may feel justified in taking such measures, but other nations will not fail to take note of our behavior. The United States is no longer the world's dominant economy. We may expect that others will become somewhat more reluctant to turn to American firms to use American licenses or technology when other is available—and reduce the volume of financial and other assets placed at risk in the United States, as other financial centers become increasingly suitable alternatives. To the extent that our actions do not simply militate against free trade, they militate against the relative position of the United States in competing for such trade. The discrepancy between our professions and our practice is substantial. While we may feel justified in continuing to impose such restrictions, our behavior is likely to impose increasingly higher costs.

To sum up: with the end of the Cold War U.S. foreign policy has lost its focus. A collection of well-meaning goals is not a satisfactory substitute. The United States will have to sort out and select its political objectives and the means it employs to achieve them far better than it has.

Matching Actions to Long-term Interests

GIVEN THE PRESENT public mood—all energy and goodwill, no compass bearing—the country seems ready to emulate Max Beerbohm's protagonist who "jumped on his horse... and rode off in all directions." Stirred by the images that flicker across the TV screen, we are all too ready for action without reckoning the costs.[1] Indeed, the public mood is rather reminiscent of the period in 1963, when a cocky Kennedy administration connived in the assassination of Ngo Dinh Diem and launched us into "nation building" in Laos and Vietnam. The irony is that many of the same people who subsequently turned against the effort in Southeast Asia and warned against America's allowing itself to intervene in

[1]In 1898 the United States was drawn into the Spanish American War by a process not too dissimilar—then known as "yellow journalism." Today we are, no doubt, driven more by empathy than by jingoism, but journalism's impact has greatly expanded. What was a rare event has now become a regular, not to say nightly, occurrence. Not only is the frequency greater, given television's immense power as a medium, it requires far less effort. Perhaps happily, but perhaps unhappily, the emotions stirred now have far less staying power.

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civil wars, now provide some of the strongest voices urging on this country the role of the world's premier policeman. To ensure that historical references are nonpartisan, it is also reminiscent of the Reagan administration's casual decision to intervene in Lebanon in 1982—confident that all groups would be grateful for the United States serving as peacemaker.

This country is not especially good at police operations. The American public readily grows impatient—and others have learned that they can outwait us. The populace that we wish to protect is likely to conclude that at some point we will be gone, but their tormentors will still be around, and act accordingly. Nor, on the basis of past experience, should we assume that other nations are eager to move their forces in—to replace the first wave of American forces. The United States is called upon to act, as in Bosnia, not because it alone can do the task or is even especially suited to the task, but rather because others, equally capable, find it convenient for the United States to bear the principal burden. If the American public is regularly called upon to assume such burdens (even if others share this responsibility), the public will soon weary of that task—and, more importantly, will be unwilling to become engaged when America's role is truly essential.

With the end of the Cold War—and the passing of its unique disciplines—the world is becoming more rather than less anarchic. There are many trouble spots in the world; there will be countless more. The United States is not called upon to, nor can it, cure all the world's misery. We represent a small—and now steadily shrinking—percentage of the world's population. Nor are we temperamentally suited to the policeman's unhappy lot.

Few have been more penetrating or more sympathetic observers of the American democracy than was Alexis de Tocqueville. Writing over a century and a half ago he framed these trenchant words—which I have regularly referred to as de Tocqueville's challenge:

> It is especially in the conduct of their foreign relations that democracies appear to me decidedly inferior to other government.... A democracy can only with great difficulty regulate the details of an important undertaking, persevere in a fixed design, and work out its execution in spite of serious obstacles. It cannot combine its measures with secrecy or await their consequences with patience.[2]

[2]James Schlesinger, "The Eagle and The Bear," *Foreign Affairs*, Summer 1985, p. 953.

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Manifestly in the Cold War the United States rose to the challenge. It persevered. It stayed the course. For forty-odd years it maintained the Watch on the Elbe that protected the nations of Western Europe from their powerful Soviet neighbor. But the Cold War was unique. There was a clear and present danger—an unequivocal threat that sustained the attention and the support of the American people.

Now, however, that dominant threat has been removed. Numerous and ever-changing trouble spots clamor for the public's attention. Our *permanent interests* are less clearly defined and more difficult to discern. In these radically changed and far more fluid conditions can the United States "persevere in a fixed design" or "await ... consequences with patience"? The question is as yet unanswered. Part of the answer surely is: not if the public is overtaxed, not if we are drawn into too many foreign engagements without clearly defined purposes, not if we are drawn into such engagements on impulse. Clearly it has become far more difficult now that the external threat and America's purpose are less clearly defined—and when the information revolution can rivet our attention, if only temporarily.

Can we stay the course in this new context of foreign policy? Only if we are sufficiently disciplined to select those tasks, few in number, that truly involve the longer-term interests of this society—and avoid becoming sidetracked by the many lesser tasks (brought to our attention by an enterprising news industry) that would exhaust the patience of the American public.

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THE NEW EUROPE: YESTERDAY'S GHOSTS

Josef Joffe

The Return of History

LAST YEAR was not a good year for Europe, and the disease was renationalization—on cats' feet in the West and on tank tracks in the East. History, it turned out, had not ended with the champagne party atop the breached Berlin Wall in November 1989, the reunification of Germany in October 1990 or the dissolution of the Soviet Union in December 1991. History in fact came back with a vengeance, and nowhere more fiercely than where it had been most suppressed: in the Soviet empire and in the artificial nation-state of Yugoslavia.

Nor was the return of history a mere accident. For 600 years European history has been written by states forming and reforming around the idea of the nation-state. In 1945 that saga suddenly ended. Two empires shouldered aside the notion of the nation-state—one formed voluntarily under American tutelage in the West, another held together in the Soviet grip in the East. But on December 25, 1991, the Red Flag was hauled down from the Kremlin, and the Soviet empire was no more. In the East, where nationality had been suppressed by an authoritarian regime and an alien universalist ideology, the end of the empire spelled the immediate rebirth of nation-states: Russia, Belarus, Ukraine, Estonia, Latvia and Lithuania. Farther south, in the Balkans, a multinational construction called Yugoslavia disintegrated loudly into a war that might yet spread to the entire region.

In the West the process was more subtle. To begin with, there had never really been an empire under an American flag; it was an American-sponsored community under U.S. protection whose members retained their sovereignty and much of their autonomy. But the community's original and most powerful raison d'être—the Soviet threat—faded in 1990

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when Soviet power began to recede from central Europe; it vanished almost completely, at least for the time being, on the day the Soviet Union collapsed. As a result American power also began to recede—a decline manifested by its waning relevance in a post-Cold War era.

The passing of bipolarity brought momentous change in western Europe. Its most important repercussion was German reunification, and that was bound to have profound consequences for west European integration.

The End of Empire

SO LONG as bipolarity remained intact, the war in Yugoslavia would not—could not—have erupted. The Cold War had frozen in time an artificial construction called the "Federal People's Republic of Yugoslavia." Its six republics and two autonomous provinces (Vojvodina and Kosovo) were squeezed together after World War II by a strong clamp that was bound to erode when the old order passed away. In the beginning this explosive concoction of warring tribes and nations (during World War II many more "Yugoslavs" were killed by each other than by Germans) was neutralized by Stalinist pressure. Building on the partisan myth and a nationalist version of communism (called "administrative socialism"), Yugoslavia became an armed camp, drawing legitimacy and cohesion from its neighboring nemesis, the Soviet Union.

Thereafter, until Marshall Tito's death in 1980, Yugoslavia could find another national mission in that by-product of bipolarity known as the nonaligned movement. Virtually invented by Tito, nonalignment delivered an ideology (and ersatz nationalism) that contained the mortal tensions of the Yugoslav state. As a foreign policy it legitimized independence from the Soviet Union, bestowed a national identity on a nation that had none, and produced diplomatic and economic gains. With this anti-polar policy, Yugoslavia could derive profit and prestige from bipolarity; soon both East and West courted this maverick Stalinist regime, delivering aid and even arms.

Although Tito was of Slovenian-Croatian stock, Serbs had governed Yugoslavia since the end of World War II. The nation's power center, Belgrade, was Serbia. Serbs dominated the officers' corps, the bureaucracy and the secret police. In 1990, as the other republics began to strike out for national

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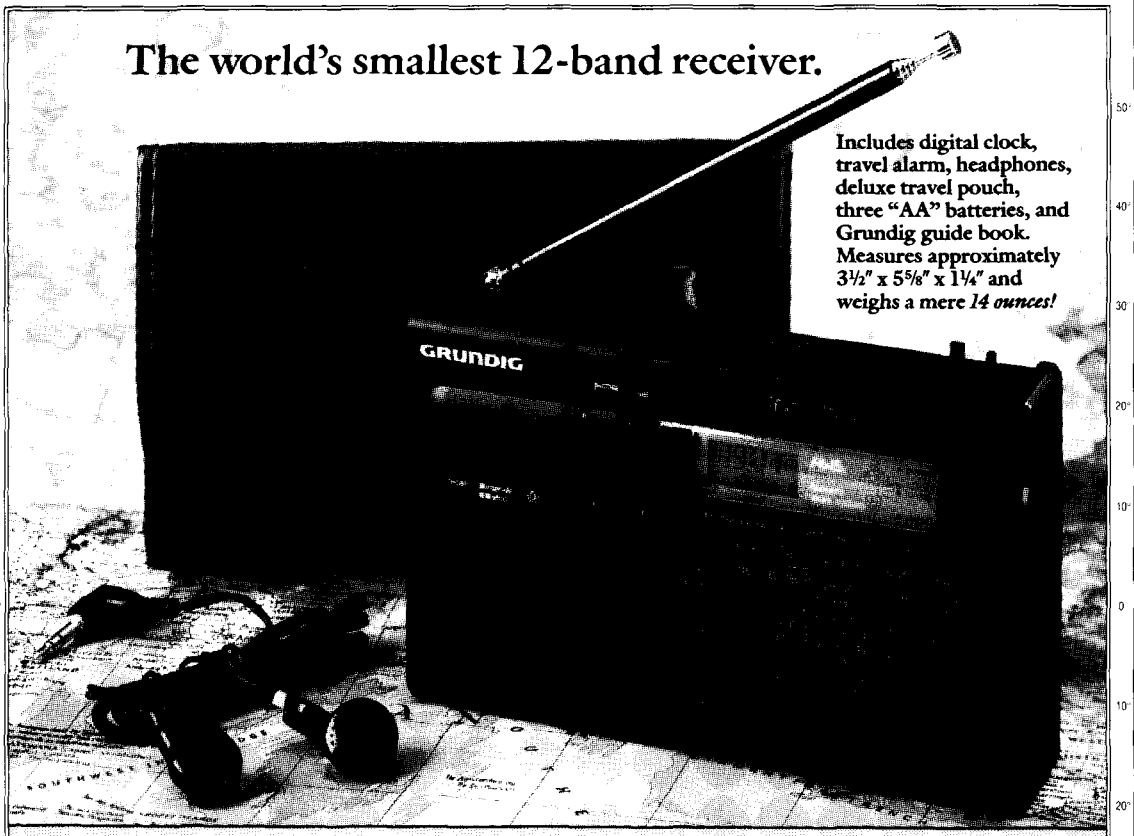

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independence, the Serbs realized that they had nothing to gain from independence; rather they had everything to lose. Their brethren made up 30 percent of the population in Bosnia, 17 percent in Croatia, 55 percent in Vojvodina and 10 percent in Kosovo—an irredenta destined for oppression by the lesser races.

With the death of Tito and the demise of communism and the Cold War, there was nothing to hold the Federation of the South Slavs together. How could the Serbs maintain their dominance in a unified Yugoslavia? The Soviet threat was irrelevant in a world without the Soviet Union; nonalignment was pointless in a world no longer bipolar; and neocommunism was completely discredited after the economic collapse of eastern Europe and Russia. There was only one weapon left, one that the Serbs had in abundance: brute force. When Slovenia and Croatia absconded in the summer of 1991, the die was cast. If Serbia could not dominate all of Yugoslavia, then Greater Serbia was the second-best solution. In 1991 the Serbs carved out a large chunk of Croatia. When Bosnia-Herzegovina voted overwhelmingly for independence on February 29, 1992, Serbian irregulars and the Serbian-dominated federal army proceeded to extend the war into that republic. By the end of 1992 the war still raged, but about 70 percent of Bosnian territory was under Serbian control.

"If Serbia could not dominate all of Yugoslavia, then Greater Serbia was the second-best solution."

Western responses to the Balkan war—to "ethnic cleansing" and the relentless bombardment of Sarajevo—essentially mirrored the confused reaction to the Serbian invasion of Croatia in the preceding year. Lord Carrington, the European Community's chief negotiator, resumed his peacemaking efforts and then resigned in favor of David Owen, who continued the task in hapless fashion. It was goodwill without the will to power. Although the United States and the EC recognized Bosnian independence on April 7, 1992, it was a formal act bereft of the practical consequences that would ensure independence and territorial integrity. On April 27 Serbia and its satellite, Montenegro, proclaimed a new Federal Republic of Yugoslavia. But in early May the EC countries and the United States executed no more than a feeble gesture of disap-

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proval by recalling their ambassadors from Belgrade. And the Conference on Security and Cooperation in Europe (CSCE) proceeded to bar the new Yugoslavia from all discussions relating to the Balkan war. On May 27 the EC imposed a trade embargo on Serbia-Montenegro but essentially dumped the problem into the lap of the United Nations—right alongside the Croatian problem, all but disowned in the preceding year.

In the prelude to recognition of Croatia and Slovenia in early 1992, the EC had at first cast itself as the new guardian of European security by virtually waving the "Sinatra doctrine" in America's face: "We'll do it our way." In fact it was the "old Europe" that bestrode the post-bipolar stage, with history returning in an absurd replay of yesteryear's battles. As in World War I, Germany and Austria were arrayed on the side of Croatia and Slovenia, the old Habsburg possessions. On the other side stood the United States, Britain and France, implicitly supporting their old ally Serbia by upholding its claim for an intact Yugoslavia. The French were especially quick to spot a "Teutonic bloc" *redivivus* as they watched their German neighbors, the Austrians in tow, make a headlong, follow-us-or-else dash to recognize Croatia and Slovenia as independent states. As late as the summer of 1992, during the summit meeting of the Group of Seven industrialized nations in Munich, French President François Mitterrand was heard to reminisce: "I have not forgotten the historical ties between France and Serbia and the solidarity that bound them together in two world wars."[1]

These memories may have faded as the fury of the Serbian assault against Sarajevo and other Muslim holdouts increased. But the fact remains that the three key European powers—Britain, France and Germany—could agree only to value discretion over valor and to leave the action in the hands of the United Nations. (In the U.N. Security Council, both Britain and France supported U.N. resolution 770 that sanctions "all necessary means" to assure relief supplies for beleaguered Sarajevo.) Even as the United States at the end of the year offered to enforce the U.N.-mandated flight ban over Bosnia, its major allies hesitated. Though Britain and France had dispatched "Blue Helmets"—U.N. troops—to Bosnia in 1992,

[1]As quoted in Rudolph Chimelli, "Bosnien helfen, Serbien nicht verprellen," *Süddeutsche Zeitung*, Aug. 22–23, 1992, p. 8.

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neither was keen on military action, least of all on deploying ground troops. The Germans could always point to their constitution, which allegedly prohibited any military action beyond self-defense and alliance defense. While Germany did dispatch a destroyer into the Adriatic to monitor the trade blockade against Serbia, the ship's guns remained spiked.

Yet all of the great powers, whatever their sympathies and historical memories, were reluctant to commit military force to the Bosnian theater. Bosnia, thus the tacit premise, was not Kuwait; here there was a glaring absence of compelling strategic interests. In the annals of the modern state system it is hard to find instances of purely humanitarian intervention.[2] In addition to the moral motive, three further conditions must be satisfied before committing forces. Is military action in the national interest? Is there a reasonable chance of success? Can the state muster the requisite domestic support?

In the Gulf War all four conditions were met. First, the invasion of Kuwait (like the bombardment of Sarajevo) struck a powerful moral chord in the West. Kuwait, a tiny defenseless neighbor, had been a threat to no one. And Saddam Hussein, the "Butcher of Baghdad," was evil personified—an unusually ruthless tyrant who would even poison-gas his own citizens. Second, there were several compelling interests. With the oil reserves of Kuwait, Saddam might have acquired a commanding position in the market for oil—a major strategic resource. If he got away with his conquest, he might have ended up dominating the Middle East, a region of first-order strategic importance. Working furiously to produce long-range missiles and nuclear weapons, Saddam would have eventually posed a threat to countries outside the region. Third, there was a reasonable chance of success at an acceptable cost because Saddam's rigid deployments and the open desert battlefield uniquely favored Western weapons and tactics. Fourth, given all of these conditions, it was possible—though still not easy—to persuade Western societies to support the war and to pay the costs.

In the Balkan case, only the first condition was unambiguously present: moral outrage. But statesmen cannot rely on outrage alone. When they command the youth of their countries to face death in battle, there must be compelling national

[2]The first that comes to mind is U.S. intervention in Somalia in December 1992. Here the absence of strategic interest was compensated by the conviction that order could be restored at close-to-zero cost in U.S. lives within a very short period of time.

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interests to justify the sacrifice. In Bosnia the strategic argument was hard to make, unless it was clad in terms of remote consequences such as the possible spillover of the war into the larger region. There was no oil to be safeguarded, no nuclear-armed dictator to be stopped, no strategic balance to be restored. Nor did the Balkan war offer a reasonable chance of success at a reasonable price.

In the Persian Gulf, technology was on the side of the West, and so was the topography and the weather. Instead of an open desert, Bosnia offered clouds, mountains and forests. Nor were there tightly demarcated enemy deployments; the targets were artillery pieces that could be moved quickly and mortars that could be carried away in knapsacks. There was also the peculiar legacy of Tito's defense planning for guerrilla war—a network of hidden and hardened depots, command posts and arms factories. Satellites would have trouble finding them; pinpoint strikes would not destroy them. On the ground, the problem was not neatly drawn battle lines but house-to-house fighting, guerrilla tactics and a large civilian population. In short, the situation was analogous not to the Persian Gulf but to Lebanon.

There was no quick and easy solution. Even an armed convoy to ferry relief supplies to Sarajevo overland was not a cheap proposition. Such a wagon train might have fed the hungry, but it could not have stopped the fighting. And to get through, Western forces would have to establish control over 180 miles of winding, mountainous road between the Adriatic and Sarajevo. In that setting, the saviors would have been sitting ducks. An effective relief force for Sarajevo would have required divisions, not regiments. They would have had to secure a corridor from the sea, ferret out the snipers, take the hills, occupy the approaches, and have plenty of mobile reserves for wide-ranging operations against hit-and-run attacks on an ever-expanding periphery.

But relief for Sarajevo was only one part of the military problem. There was still the rest of Bosnia, from Bihac, one of the last Muslim holdouts in the west, to Goradze in the east. Even after a limited intervention for humanitarian purposes, there would still be plenty of Serbs, Croats and Muslims willing to fight and trying to improve on or reverse the status quo. For Bosnia, a single safe harbor (as for the Kurds in northern Iraq) would not suffice. The entire country, or numerous little chunks, would have to be pacified, and at that

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point, divisions might turn into army corps. Even a "surgical strike" strategy like that used on Baghdad would not accomplish much. A few squadrons of Western aircraft could surely pin down the Yugoslav federal air force and wreak havoc on Serbia's infrastructure. But that would not necessarily stop the bloodshed micromanaged by local warlords amply supplied with AK-47s and mortars.

The purpose of intervention would not be to break the will of a single power center or to drive out a foreign invader but "to pacify a non-country that has collapsed into tribal warfare."[3] And for that purpose, massive firepower delivered cheaply by air would be like using a jackhammer for the task of a dental drill. Firepower would make the rubble bounce but not rearrange the ethnic pieces in the nation's multiethnic puzzle, which is why both the Americans and the Israelis withdrew from Lebanon. Perhaps the slaughter might have been stopped for awhile. But Serbs, Croats and Muslims would still be there afterwards, full of hatred and lusting for revenge.

In 1992 the question was: If we go in, how and when do we get out? From Paris to London, from Bonn to Rome, the unspoken answer was: in the absence of compelling interest and without the chance of a quick and easy success, we will not intervene, even though this war ought to be *our* war—it is not in a "faraway country of which we know little," but lies on western Europe's doorstep. By year's end the new Europe, so confident about mastering its own future in early 1992, had proven unable to coalesce around a single purpose. Only the reintrusion of the United States in late December narrowed the leadership gap. With a reluctant Britain in tow, the Bush administration decided to ask the Security Council for a mandate that would sanction the use of force to uphold the flight ban over Bosnia.

"By year's end the new Europe, so confident about mastering its own future in early 1992, had proven unable to coalesce around a single purpose."

The real test may come soon in Kosovo. A region of historical importance to Serbians, Kosovo is now home to 1.6 mil-

[3]"After Pity, What?" *The Economist*, Aug. 15, 1992, p. 13.

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lion Muslim Albanians (nearly 90 percent of its total population). President Slobodan Milošević won late December's elections by whipping Serbs into a nationalist frenzy over Kosovo and Bosnia. Emboldened by his victory Milošević then ousted Prime Minister Milan Panic, the moderate who had run against him for the presidency of Serbia. Alarmed by these trends, President Bush wrote to Milošević that "in the event of conflict in Kosovo caused by Serbian action, the United States will be prepared to employ military force against the Serbians in Kosovo and Serbia proper."

In Bosnia leaders of the five warring factions met in early January 1993 to discuss a proposal to redraw the republic into ten provinces. Sponsored by U.N. envoy Cyrus Vance and Lord Owen of the EC, the proposal envisages three cantons in which Muslims would predominate, one in which ethnic Serbs would be the majority, and five in which power would be shared by Muslims, Croats and Serbs; Sarajevo would remain an open city. Under the proposal, Serbian and Croatian forces would withdraw to their specific provinces. The U.N. ban on military flights would remain in force.

The Nation-State: Alive and Well

NATIONALISM'S brutal and bloody return in the East was contrasted by its soft-footed, almost inaudible return in the West. In 1991 the EC had committed itself to a breathtaking integrationist venture—the Maastricht treaty. The key goal of the 250-page "constitution" was monetary union by the end of the decade, plus a common foreign and security policy. This was to be the last step before political union. Yet western Europe stumbled badly in 1992 as its major countries hearkened not to the call of Brussels but to the clamor of their own individual national interests.

Monetary union was a qualitative jump, the likes of which the annals of European integration had not seen in 40 years. (The exception was the European Defense Community, conceived in 1952 and stillborn in 1954.) Hence, it should not have come as a surprise that the Maastricht treaty was in trouble even before it was completely ratified.[4] In the referendum countries, Denmark voted no and Ireland yes in June; in France, there was but a tiny majority for ratification in

[4]By the end of 1992 only Britain and Denmark had not ratified the treaty.

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September. By year's end, Britain's Parliament had said neither yes nor no, and in December, the German Bundestag said both, as it were. Though the treaty was ratified by an overwhelming majority of the deputies, they added a crucial proviso. They would vote again, if and when the day came, on the "finality" of European monetary union. That was a yes without consequence where it mattered most: monetary integration.

Yet the most serious problems of 1992 lay dormant elsewhere, and they erupted with volcanic force on Wednesday night, September 16. Within 24 hours the value of the Italian lira as measured against the Deutsche mark plummeted by ten percent; the British pound dropped nine percent and the Spanish peseta lost eight percent. Italy and Britain left the European Monetary System without committing themselves to a return date;[5] all three currencies as well as the Portuguese escudo were officially devalued. In a desperate attempt to defend their currency, the British threw more than ten million pounds' worth of foreign exchange into the fray, one third of their total reserves. Nor did the currency war ever fully abate. Before the year was over, Norway and Sweden had also devalued their currencies, and the French managed only barely to hold their monetary Maginot Line.

One moral of the story was that Maastricht as a monetary union was dead—or at least comatose—before the treaty had even entered into force. Founded in 1979 to cushion western Europe's currencies against the gyrations of the dollar, the European Monetary System was to be a European Monetary Union *in nuce*. Indeed, if all member currencies had remained bound by the straitjacket of EMS, then EMU would have been no more than a formality. Fixed parities maintained over many years would have signaled to each and all that the conditions for EMU were safely in place. Stable intra-European exchange rates would have been proof that each member country had been obeying the same monetary and fiscal rules. None would run a larger deficit than the rest, each would be in a similar current-account position, all would have compara-

[5]Its members, until September 17, were the Benelux countries, Denmark, Britain, France, Germany, Ireland, Italy, Portugal and Spain—all the EC members but Greece. Initiated in 1979, the EMS was to function as a precursor of monetary union by obliging each country to maintain fixed exchange rates with every other member; parities were only allowed to fluctuate by 2.25 percent above and below the set rate. Britain, Portugal and Spain were given some extra room: six percent on either side. The British refer to the system as the Exchange Rate Mechanism.

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ble interest and inflation rates. Fixed exchange rates would have come about naturally, and none would have to chafe under the EMS straitjacket. Western Europe would have enjoyed monetary union in all but name.

So much for the theory. In fact EMS "worked" only as long as it did not really work. From 1979–87, realignments were routine; the system held because the straitjacket was actually a loose-fitting shift. In other words, nations continued to follow their own monetary and fiscal policies, devaluing rather than submitting to the harsh discipline required by the EMS. But in 1987 the straitjacket suddenly tightened and realignment stopped. It was like putting a bomb at the heart of the mechanism with only the fuse missing. The fuse was inserted on July 16, 1992, when the mighty Bundesbank—the German central bank—raised its two key interest rates once more. German short-term rates were now almost three times higher than in 1988, just below the British and French rates of ten percent. The handwriting was on the wall and it spelled, "Buy Deutsche marks now!" because German revaluation was all but inevitable. When Bundesbank President Helmut Schlesinger dropped a few incautious words in mid-September, the fuse was lit and the bomb exploded. By the end of 1992 the shock waves of September were still traveling through western Europe's money markets.

"After reunification in 1990 the problem was not German dreadnoughts or Wilhelmine hubris, but German monetary dominance."

Why did it all happen? Like the first *Weltkrieg*, the first *Geldkrieg* was a war nobody wanted. But in each case, one underlying cause was German power that unhinged the European equilibrium. Ironically, in each case, German unification lay at the beginning of the causal chain. After 1871 a unified and dynamic Germany elbowed its way to the table of the great powers, threatening to overturn the equilibrium willy-nilly simply because of what it had (economic clout) and where it was situated (at the fulcrum of Europe's power balance). After reunification in 1990 the problem was not German dreadnoughts or Wilhelmine hubris, but German monetary dominance. What unhinged Europe this time was the gargantuan costs of the

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benign takeover of the bankrupt G.D.R. by Bonn, Inc.

The Bundesbank did not want to rout the Italian lira or the British sterling. It was just following orders, so to speak, as it watched the Kohl government pay for an annual reunification bill of about 180 billion Deutsche marks ($120 billion) with borrowed capital rather than by raising taxes or cutting spending. (In 1992 the German federal debt grew by 170 billion Deutsche marks—$110 billion.) As inflation grew along with the money supply, the Bundesbank, charged by law with defending the "stability of the currency," jacked up interest rates point by point until that final fateful increase in July that put the bomb's fuse into place. As a result of September's explosion, the EMS was blown wide open—and with it, the Maastricht dream of monetary union. To exaggerate, in 1992 European integration fell victim to German reunification, which, in itself, was the most momentous consequence of bipolarity's demise.

In a system ready for EMU, Germany would have behaved differently. According to the EMS's implicit premise, Germany would have continued to play the monetary martinet. In this scenario Germany would impose on itself the fiscal and monetary discipline it once meted out to others by yanking the chain of its almighty currency. Yet with reunification, the system's avenger became its greatest sinner: borrowing madly and running up Reaganesque deficits. A weaker player would have been forced into devaluation or fiscal probity. But given Germany's enormous economic clout, Bonn could evade these penalties and spread the costs of unity across western Europe. Just as the United States, the kingpin of the Bretton Woods system, could finance the Vietnam War by passing out overvalued dollars, Germany could collect much-needed reunification capital with sky-high interest rates.

In doing so, Germany laid bare the distance Europe would still have to travel on the road to monetary and political union. In the crunch the nation was more important than the continent. Like any democratic leader, Chancellor Helmut Kohl was loath to finance by taxes and spending cuts what could be accomplished more comfortably (at least for now) by borrowing. And the reason was an all too familiar one in the annals of interstate politics. Governments do not win elections in Brussels, but at home. Their fate is determined by national rates of interest, inflation and unemployment—not by the flowering of international institutions. Integrationist virtue or

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the welfare of other nations (recession-bound Britain and France were aching under the Bundesbank *diktat*) takes a back seat when national leaders have to ensure their survival in power and social peace at home.

The Guns of September destroyed more than the EMS. They also demolished the flawed premise of Maastricht, which portrayed monetary union as the last step before political union. That was a typical instance of putting the cart before the horse. Political union (that is, a common political will) must precede monetary union. Unless all member governments follow the same fiscal and monetary rules at home, unless they behave as one, monetary union will remain a will o' the wisp. In fact the governments of sovereign states never behave as one; in the crunch, they will follow their own, and not the communal, interest.

"...the governments of sovereign states never behave as one; in the crunch, they will follow their own, and not the communal, interest."

This fact was nicely dramatized by yet another intra-Community war. After six years of General Agreement on Tariffs and Trade negotiations, the EC had finally reached an oilseed compromise with the United States (which would reduce the subsidies paid to European soybean and grape growers). The French government, however, was facing national elections in March 1993, so it did not matter that France had been outvoted in the EC council. What did matter were French peasants who stood ready for yet another storm on the Bastille. As a result, France blithely ignored the EC's qualified-majority decision-making rule, the mainstay of the Community's supranationalism. Instead, the French government vowed to impose its veto "in all stages of the process." The French message in December was: our peasants are more important than Europe. This was *en français* what the key members of the EC had been saying throughout 1992—that the nation-state, far from ready to abdicate, was alive and well in Europe.

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Safeguarding EC Accomplishments

LAST YEAR WAS NOT a good year for Europe in many ways, but for only one reason: the end of the Cold War and bipolarity. In the East, history returned in the guise of long-suppressed nationalities. Liberated from the fetters of the old order, Czechoslovakia divorced peacefully in 1992, as had (for the time being) the European parts of the Soviet Union in 1990 and 1991. But in Yugoslavia divorce was "nasty, brutish and prolonged," to paraphrase Thomas Hobbes. In western Europe the demise of the ancien régime had more roundabout consequences. For Germany it spelled the freedom to reunify, the return to full sovereignty, and the escape from the dependencies that had turned West Germany into a paragon of Europeanist virtue. If the economics of reunification translated into an astronomical bill, Germany's new freedom reduced the necessity for paying close attention to its Europe-wide impact. As a result reunification was indirectly responsible for the coma inflicted on monetary union as a prologue to political union, Europe's grandest dream yet.

Will the upheavals of 1992 prove to be no more than a passing storm, followed by yet another *relance* that, in the past, regularly propelled integration from a calamity to greater community? Perhaps. But at the end of 1992 western Europe had to worry not about spillover, but spill-back—about protecting yesterday's EC accomplishments. In that realm, too, the end of the Cold War appeared as an unwanted accomplice of trouble.

The fall of the Iron Curtain plus post-bipolar war has set armies of people in motion that are breaching national borders more easily than did the tank divisions of yesteryear. Next to fear of economic decline, xenophobia proved to be the strongest obsession in Europe in 1992, nowhere more so than in Germany. In 1992 Germany absorbed close to one million foreigners—450,000 asylum seekers, 250,000 refugees from the former Yugoslavia, and 250,000 "ethnic Germans" from the east.

Whether this "migratory assault" was the cause of rising neo-Nazism, antisemitism and violence is a debatable proposition. But the statistics tell a sorry tale: 18,000 incidents ranging from the public display of Nazi symbols to the desecration of Jewish graves, to firebombing and murder, increased 70 percent over 1991. Subtracting the more symbolic expressions

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of *volkish* sentiments still leaves a tally of 2,000 assaults and 17 dead. By the end of the year, though, the good news began to displace the bad. As the citizens of Germany's large cities turned out by the hundreds of thousands to demonstrate against hatred and violence,[6] the Bonn government finally set the repressive machinery in motion that had been honed in a 20-year struggle against left-wing terrorism. As public opinion turned against right-wing extremism, firebombers were quickly caught, and several neo-Nazi organizations were banned.[7]

Still, ethnicity became a critical factor in west European politics in 1992—although not, to be sure, in the ways of the Balkans with "ethnic cleansing" and carnage running rampant. The response to mass migration was rather "socio-isolationism," and its message was clear: keep foreigners out, send them back, leave us alone in our homogeneous societies with their high wage and welfare levels. Though directed against Romanians, gypsies and sundry Third World immigrants, the fallout of socio-isolationism does not bode well for European unity.

Already "Schengenland," the agreement by which ten of the 12 EC states have pledged to abolish intra-EC border controls, is virtually a dead letter.[8] The compact remains unratified because the fear of uncontrolled immigration has got the better of integrationist intentions. In December the vision of unfettered intra-EC movement received another blow when Germany decided to change its asylum law. This move, in turn, will not improve the chances of the Single Market, inaugurated on January 1, 1993. One pillar of the Single Market is the freedom of movement for people inside the Community. But Germany's new asylum concept proclaims that none shall be deemed worthy of asylum who tries to enter Germany by land. The logic is as follows: whoever travels by land was previously in a country—whether it be Denmark, Belgium, Holland, France, Switzerland, Austria, Czechoslovakia or Poland—where there is no political persecution. Ergo he or she was safe to begin with, ergo he or she will be turned back

[6]On Dec. 6, in Munich, 500,000 demonstrated against xenophobia, neo-Nazism and antisemitism—the largest postwar rally ever.

[7]In November, agreement with the right-wing slogan "Foreigners out!" dropped from 33 to 19 percent. Voting preference for the neo-right *Republikaner* dropped from seven to five percent. (Under German electoral law, 5 percent of the vote is required for representation in the Bundestag.) Figures cited in "Nach Mölln ein Volk im Schock," *Der Speigel*, No. 50, 1992, pp. 58–59.

[8]Britain and Ireland are not party to the agreement.

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or deported. Evidently this idea will require more, rather than fewer, border controls, and there goes "Schengenland" and one pillar of the Single Market. Moreover, as the burden of migration is transferred from Germany to its neighbors, European harmony is not likely to flourish.

Caught Between Two Worlds

IN 1992 Europe was caught in the clash between two opposing forces: the logic of economics and interdependence that spells community, and the logic of ethnicity and nationality that demands separation. On balance the forces of separation carried the day in 1992, as witnessed by the peaceful divorce of Czechs and Slovaks, the bloody struggle for turf and "ethnic cleansing" in the Balkans, the shake-up of the EMS, the nonratification of the Maastricht treaty, and the tightening rather than the leveling of intra-EC borders.

In the security field, the nine-member European organization of the West European Union remained a sleeping beauty that continues to resist the rousing kisses of innumerable princes. The Franco-German "Eurocorps," put on paper on May 22, remains the object of suspicion among those Europeans who prefer an Atlantic rather than a purely European defense. And the CSCE proved unable to bring either security or cooperation to the Balkans; it looks destined for the oblivion that befell the League of Nations in 1936 when it could not reverse Italian aggression against Abyssinia. Ironically, the only security institution that emerged halfway intact from the Cold War is NATO, the Euro-American compact designed to resist the Soviet threat. It acquitted itself well (though informally) in the Gulf War, and it alone seems ready to act under American leadership in Bosnia if the United Nations so mandates.

For the rest of the 1990s, the end of bipolarity and the Cold War will surely continue to bedevil Europe. And so there is more to the failures and fracases of 1992 than sheer accident. Bipolarity was a system of order and unity—either voluntary or coercive. With its demise Europe's nations and nationalities were liberated from past constraints and dependencies. They are now freer to follow their own needs than at any time since 1945. Hence it is not a safe bet that the logic of unity and interdependence will prevail.

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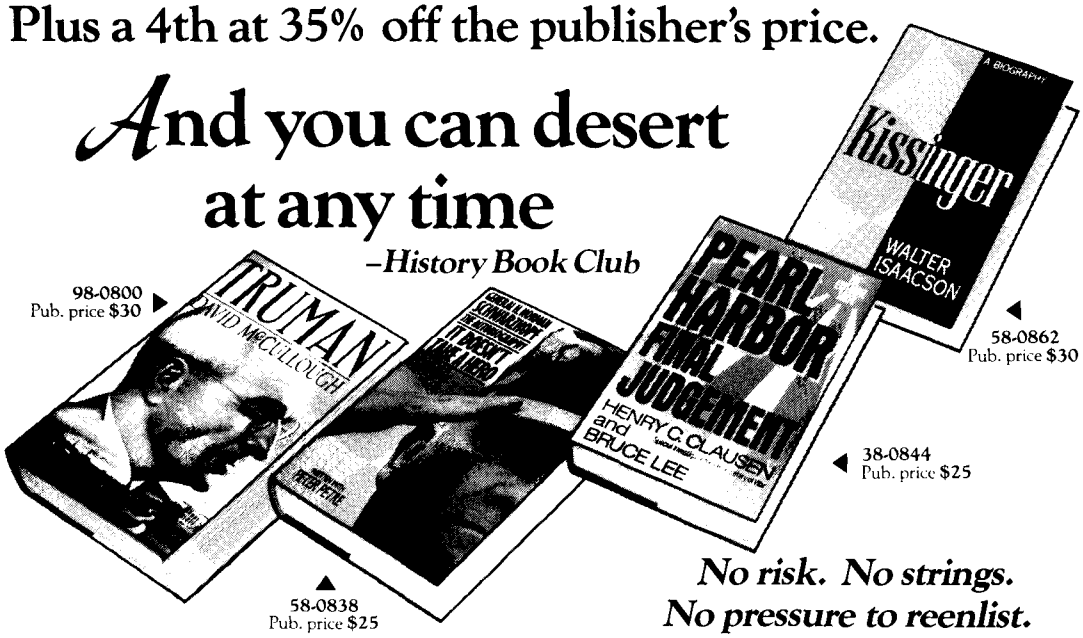

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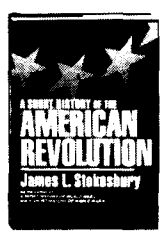

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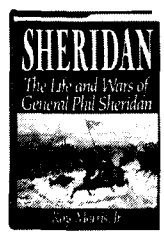

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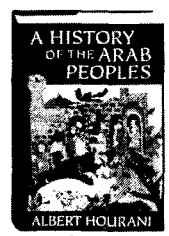

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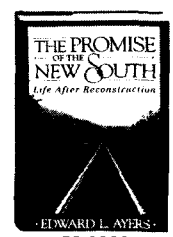

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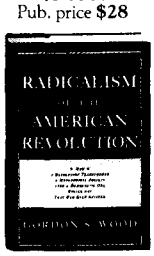

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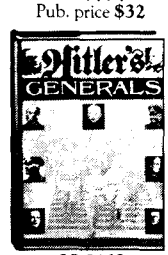

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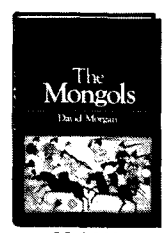

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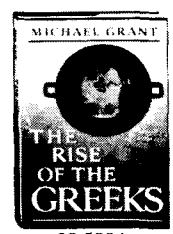

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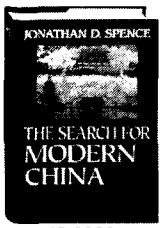

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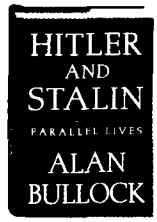

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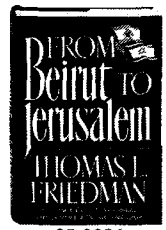

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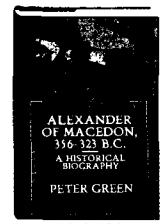

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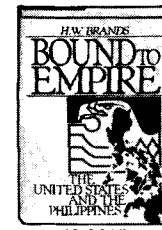

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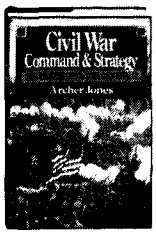

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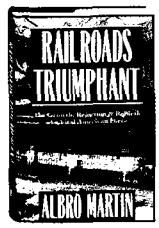

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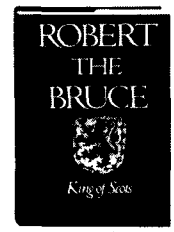

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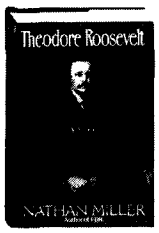

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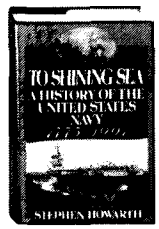

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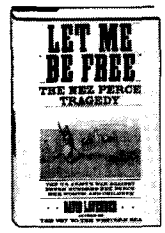

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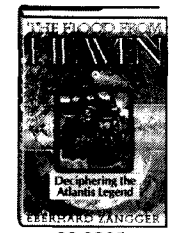

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RUSSIA AND EASTERN EUROPE: WILL THE WEST LET THEM FAIL?

John Edwin Mroz

A Call for U.S. Leadership

EVENTS during the past year in Russia and eastern Europe made clear that the West is not yet prepared to lead the way into a substantially new international system. Distracted by recession, domestic preoccupations and the U.S. election, the West made little headway in redefining its vision and priorities for a world changed by the collapse of Soviet power and its ideology. Western unpreparedness was highlighted by the muted response to the civil war in Yugoslavia and to the urgent need for economic assistance in Russia and other members of the Commonwealth of Independent States (C.I.S.).

The recent revolutionary events in eastern Europe and the former Soviet Union caused first euphoria and then despondency among people there and in the West. While 1992 brought some improvement to the economies of east-central Europe, it also saw a marked increase in nationalism and violence. And in Russia conservative forces gained considerable ground in the continuing struggle over the nature and direction of that country's future.

As a result of these factors, President Clinton faces historic challenges in dealing with Russia and eastern Europe. After 45 years of a successful foreign policy based first on the containment, and then on the defeat, of communism the United States has strong moral as well as practical reasons to provide leadership in bolstering democracy and creating a market economy in Russia and eastern Europe. It has clear geostrategic interests that alone should motivate a more urgent response. Key among them is the daunting problem of dealing with nuclear weapons in Russia, Ukraine, Belarus and Kazakhstan before the inevitable hardening in Russian domestic politics makes that task more difficult, if not impossible.

Although the signing of the second Strategic Arms Reduc-

John Edwin Mroz is the founding President of the Institute for EastWest Studies.

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tion Treaty in January 1993 was heartening, many obstacles remain to realizing the treaty's goal of reducing U.S.-Russian nuclear arsenals to one-third of their present levels. The most pressing is the uncertain chances of the treaty being ratified by an increasingly restless Russian parliament. And beyond Russia, the Ukrainian parliament balked at ratifying the first START treaty, a prerequisite before the new one can go into effect. The West also has a geostrategic interest in ameliorating the economic chaos in Russia and the other C.I.S. states. Carried to its extreme, economic collapse could precipitate civil war or large-scale westward emigration that would quickly overwhelm the West's capabilities to maintain stability in central and southern Europe.

Making Sense of 1992

THE EVENTS of the past year painted a depressing picture for most of post-communist Europe. The world watched in horror as "ethnic cleansing" returned to the former Yugoslavia and the Caucasus. Even well-informed commentators were stunned at the speed of the collapse of the Russian economy. This dramatic slide, combined with the resilience of the military-industrial sector and growing popular discontent, forced President Boris Yeltsin to oust reformist Prime Minister Yegor Gaidar in December 1992.

The Group of Seven (G-7) industrialized nations proved unable to lead a global effort to deal with these destabilizing developments. Throughout the West, recessionary pressures made people profoundly uneasy about their own future and forced weakened political leaders to concentrate on domestic issues. One result was that the West's modus operandi for dealing with Russia became a holding operation.

Beyond headlines, many Western leaders remained unaware of other disturbing developments in the former Soviet Union and eastern Europe. These trends cover an enormous range of problems—from a subculture of lawlessness in each of these countries to substantiated reports that more than half of Moscow's school children are infested with lice due to poverty and a shortage of soap. Many Russian nuclear plants and reactors are not receiving even cursory maintenance due to the wild slashing of the national budget, a shortage of parts, and bureaucratic inertia. In east-central Europe the dispute over the unprecedented diversion of the Danube River by the

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Gabcikovo Dam has damaged relations between the newly democratic states of Hungary and Slovakia and given rise to extreme nationalist sentiments within both countries. And in 1992 radical Islamic sources poured an estimated $2 billion worth of arms and support into the Central Asian republics of the C.I.S.

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The past year was a time of great economic turmoil in Russia, where the GDP shrank to 65 percent of its 1989 level. Consumer prices increased 25 times in 1992, whereas income increased only 7.4 times. Inflation runs at 1,300 percent a year. The exchange rate of the ruble collapsed in 1992, falling from 1.6 against the dollar in January to near 400 in December. Industrial output declined by nearly 30 percent, including in the vital oil sector. One of the biggest factors contributing to Russia's economic crisis is the severing of most economic ties between Russia and the other republics. That factor, more than any other, accounted for a decline of nearly 50 percent in Russia's net exports. Most likely the collapse will continue throughout 1993.

In Russia today most citizens suffer visibly, while a small number of their compatriots have become extremely rich and indulge in the conspicuous consumption of fast cars and hedonism. Crime, both organized and random, is rampant. The newly wealthy, along with most officials, are corrupt and often associated with underworld figures. Promises of glasnost and the vision of a market economy mean little to the vast majority of Russians who do not have money to buy milk, vegetables, soap or medicine. The health situation of Russia's youth and elderly has reached crisis proportions. Moreover the majority of Russians have completely tuned out their nation's politics. Society has become atomized with the prevailing philosophy, "every man for himself."

One of the most disturbing long-term developments concerns the intense political struggle in Russia regarding its rela-

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tions with the outside world. The last months of 1992 witnessed a surge of anti-Americanism reflected in numerous public opinion polls taken across the country. At the core of this public attitude is the belief that the "shock therapy" economic program of the former Gaidar government is American-imposed. A surprisingly large number of Russians actually believe that the United States intends to use economic reforms as a method to destroy the Russian state, much as they think the United States helped to engineer the destruction of the U.S.S.R. under President Mikhail Gorbachev and Foreign Minister Eduard Shevardnadze.

"A surprisingly large number of Russians actually believe that the United States intends to use economic reforms as a method to destroy the Russian state..."

Public opinion polls have shown that the majority of Russians appreciate American humanitarian assistance, but two out of three respondents stated that they would prefer to reject any further non-humanitarian aid if it required a continuation of Gaidar's economic policies. Academic and political elites polled in Russia share the perception that the West, in particular the United States, has done nothing to help Russia during this great crisis other than provide modest humanitarian aid.

In fact, the West really did do very little in 1992. Americans seem surprised when Russian leaders accuse the West of doing little more than talk. The U.S. press glamorized a Western assistance package of $24 billion, although the greatest portion simply constituted normal trade credits. Less than $2 billion of actual assistance has been disbursed. With the notable exception of defense-related projects (destruction of nuclear warheads, support for nuclear scientists) where America's interests are most visible, Washington is viewed even by its friends in Moscow as having failed to respond to Russia's economic straits. Now most democratic elements there fear it may be too late to make a difference. Whereas they appreciated the last-minute debt rescheduling in December 1991, they see little hope that the West will now intervene in a large enough way to have meaningful impact. One of the greatest dilemmas

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for President Clinton will be managing the Russian relationship when American resources are scarce, when the world faces innumerable crises and when Russia's situation becomes even more critical—which it will.

Washington's capacity to act has diminished even further as powerful Russian elites escalate a conservative offensive against what they describe as "Western interference in areas of Russia's vital interest." This attitude has become more common and has created anxiety in the new democracies of eastern Europe, where there is concern about the lack of concrete security guarantees from the West. These nations fear that although it is not inevitable that Russia will become highly nationalistic and anti-Western, it is distinctly possible.

But not all is doom and gloom; the past year also brought good news. The Polish economic miracle continued to defy pessimistic predictions, as hundreds of thousands of citizens swelled the ranks of its small enterprises. Poland's private sector now accounts for 50 percent of the GDP of this post-communist nation of 38 million people. After several years of substantial decline, Poland was the first east European country to achieve significant growth in industrial production, as well as a stable growth of GDP (three to five percent). Politically Poland has reached a situation akin to that of Italy, with a growing middle class and a powerful business sector providing the necessary stability to offset a splintered party system and still nascent political process. Remarkable success has been achieved at the local level with a strong collection of local self-governing bodies replacing the old authoritarian decision-making structures.

For the third year in a row, Hungary maintained its position as the primary magnet for attracting foreign investment. It continued to introduce legal reforms that inspire increased confidence among private investors. An estimated $2 billion of direct investment flowed into Hungary in 1992. The past year also brought a remarkable drop in inflation and a significant improvement in the balance of payments. Hungary's politics have matured quickly. With a working government based on the separation of powers and an effective multiparty system, the Hungarian political system has provided a stable environment for further transformation despite a worrisome rise of extreme nationalism among some sectors of society.

The breakup of the Czech and Slovak Federative Republic was carried out in a peaceful and civilized manner, becoming

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final on January 1, 1993. With surprising speed, the CSFR had achieved macroeconomic stability without social unrest. Its mass privatization plan is the most radical in the region, and its inflation rate is the lowest in eastern Europe. The past year witnessed a remarkable growth of foreign private investment, mostly in the Czech republic. The future, however, looks less rosy for Slovakia, as some predict it may drift out of its west European trajectory into the maelstrom of the Balkans. A considerable Western involvement is needed to help Slovakia stay on track as a democracy and market economy. At present it does not appear that such attention will be forthcoming.

One important characteristic of 1992 was the growing differentiation between the various post-communist countries of eastern Europe. Poland, Hungary and the CSFR represent a "western rim" of the region in terms of their progress toward organizing efficient market economies and becoming just and civil societies. All three signed association agreements with the European Community and see themselves as being a decade or less away from full membership in the EC.

Bulgaria, Romania, Estonia, Latvia, Lithuania, Albania, Slovenia, Croatia and the C.I.S. members, however, all lag behind the three first-tier countries. Overall their systems are characterized by distorted prices, large-scale subsidies, high inflation, little Western investment and less advanced privatization. In 1992 several of these countries made progress toward macroeconomic stability while the number of small entrepreneurships increased rapidly, launching the process of privatization. Romania, for example, has defied its critics by undertaking a massive privatization program. Elections there in February 1992 helped to stabilize its political system while allowing more movement toward a market economy. This provides a solid rationale for Washington to restore most-favored-nation status to this strategically placed country.

With respect to Russia, despite the chaos of its overall economy, some important signs indicate that a critical threshold of structural change is at hand. If the Yeltsin government prevents hyperinflation, continues its ambitious privatization program and brings the price of oil closer to market parity, the threshold may in fact be crossed in 1993, ensuring the basis for developing a market economy. If it does not, widespread economic chaos will ensue by the end of the year.

Experience shows that statistical reports from eastern Europe and Russia continue to be unreliable. In east-central

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Europe, for instance, during 1990 and 1991 decreases reported in various sectors of the economy that averaged between 20 percent and 30 percent were subsequently lowered to 10 percent. In truth, no one has exact data. Official figures from the Russian government do not include the growing number of small private enterprises throughout Russia, most of which are not registered. One example of a statistical problem is the official unemployment estimate. Some 500,000 Russian workers, out of a work force of 70 million, were registered as unemployed in December 1992. But Yeltsin officials publicly concede that the real number of unemployed workers exceeds two million and is likely to climb to five million or more in 1993. Independent observers in Moscow say the number could reach 10 million to 20 million. It is impossible to determine what these figures mean, because they do not include the number of chronically underemployed, nor those with unregistered private sector jobs. Estimated figures used to describe the size of Russia's private economy (from 10 to 20 percent of GNP) are equally unreliable.

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With the economy in shambles, Russians are unwilling to accept the introduction of more market mechanisms. Yet an increase in free-market mechanisms is needed to get the Russian economy moving. Although there is no consensus among Russians on what percentage of the economy should be administered by the free market, most analysts agree that market mechanisms should fall somewhere in the 40 to 50 percent range; they currently stand somewhere near ten percent.

The Biggest Challenges

THE PEOPLES of eastern Europe and Russia continue to deal simultaneously with four distinct but related sets of problems: dismantling the shell of communism; navigating the transition to new political and economic systems; coping with the challenges intrinsic to building and maintaining a democracy; and facing up to the endemic problems that preceded both communism and the transition to civil societies.

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Different countries are at different stages in dealing with each level of the transformation from communist to civil society. Western assistance policies must take into account those different levels. Russia also faces an additional challenge: a continuing identity crisis.

In eastern Europe tremendous progress has been made in attacking the first great challenge—the legacy of communism. The remaining problems, however, are deep-seated and will require a generation or more to overcome. Apart from undoing the formal trappings of communist rule, eliminating the legacy of communism means changing the psychology of the population—convincing them of the capacity of the individual to act singly and in small groups to bring about change. Communism was highly effective in destroying the horizontal links of society. Rebuilding these connections between individuals requires greater attention at the regional and local levels, especially in encouraging the development of the private voluntary sector. Currently, teams of American and European volunteers—from retired corporate executives providing management expertise to unemployed college graduates teaching English—are making significant strides in these areas, but much more needs to be done.

The biggest successes in eastern Europe have been in the second area—the massive effort to construct new political and economic systems. Although democratic systems in most east European countries are beginning to stand on their own, large parts of the old economic infrastructure remain, thwarting any movement toward a fully functioning free market. Four decades of communism have retarded and deformed the economies of the region. Greater emphasis must be placed on assisting the development of sectors such as banking and insurance. In Russia the situation is even more dire. A major effort to combat organized crime must be undertaken if people are to believe in the benefits of a market economy and if the fledgling businesses that are its lifeblood are to survive and flourish.

The third set of problems is one that faces every democratic society: constant internal challenges to democratic traditions and values. Germany's struggle with a small band of militant fascists—mostly in the five eastern *Länder* of what was formerly the German Democratic Republic—illustrates the kind of problem facing other east European states. When the second most powerful leader of the Hungarian Democratic Forum

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issued a statement that included antisemitic and other racist statements, potential Western private investors recoiled. This reaction sent a much needed sharp message to the Hungarian government that politicians will be held accountable by their own citizens and the international community for statements or actions that violate the concept of a just and civil society.

"Nowhere in the world...can so many people quote the *Federalist Papers* as in the post-communist countries of Europe."

In the case of Poland and the Czech state, there is a democratic tradition on which to build. But Romania, Bulgaria, Slovakia, Serbia and the former Soviet republics have almost no democratic tradition. One must expect some domestic turmoil over the years as those societies learn to cope with the vagaries of democracy. In the meantime, there is a great deal more the United States and the West can do to share the wisdom of their experience while learning from the new experiences of the region. Nowhere in the world, including the United States, can so many people quote the *Federalist Papers* as in the post-communist countries of Europe. The feverish debates of Alexander Hamilton, John Jay and James Madison are real and equally valid in this region.

The greatest obstacles lie in the fourth challenge—endemic problems that preceded both communism and the present transition to civil societies. Centuries-old ethnic and religious feuds, border and resource disputes, and age-old cultural biases like those against gypsies in central Europe and the Balkans were frozen by the half century or more of Soviet rule. They have reappeared with a vengeance. These problems pose a tremendous threat to the stability of the newly created democracies. The international community will have to do much more, including innovative efforts to settle border disputes, foster transnational cooperation and increase economic development for the most poverty-stricken areas. The most exciting initiative to date is that of local authorities in Hungary, Poland, Slovakia, Ukraine and Romania to create a Carpathian Euroregion. By emphasizing transnational cooperation with respect for borders and the rights of minorities, this Carpathian Euroregion effort offers great promise as a model

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for the future of interstate relations in post-communist Europe.

One of the most difficult challenges for the West is the fifth one—Russia's identity crisis. These remarkable people have a sense of mission and destiny that is almost spiritual in nature but always in flux. The constant search to redefine themselves is something particularly Russian. It is also sometimes destabilizing. The collapse of the Soviet Union and the current impotence of the Russian state is a cause of great shame for many Russians. The West must be sensitive to this fact or it may suffer the consequences of a transformation of pride in Russian nationhood into extreme chauvinistic Russian nationalism.

The single most important policy decision that will determine the basic nature of Western relations with Russia will be whether to recognize the geographic integrity of the Russian federation. Some members of Western parliaments, for example, have given mixed signals to delegations of Tartars, Chechens and other people of autonomous republics within the Russian federation who are demanding independence. Some argue that Russia remains a colonial empire and must be broken up, while many Russians believe that the ultimate goal of the West is to destroy the Russian state. How the West responds to this issue will determine relations between Russia and the rest of the world.

The United States should have a strong moral commitment to assist in the creation of a more decentralized, federal Russian state. It would be a serious mistake for the United States and its allies to meddle with the integrity of the Russian federation by encouraging or recognizing the independence of any of the peoples living within Russian borders. The experience of Yugoslavia shows that the traditional Western answer to ethnic nationalism—self-determination—cannot be applied continually until it reaches its lowest denominator. If it is, the international community will be incapable of creating and maintaining an order based on justice between peoples.

A more complicated variant of this issue is the Russian federation's relationship with the former Soviet republics. Most Russians see the entire territory of the former Soviet Union, including the Baltics, as their special sphere of influence. A major effort is underway in Moscow to recreate a new close relationship using the C.I.S. or its successor organization as a vehicle. Such efforts will continue to be resisted by Ukraine, Georgia, Moldova, the Baltic states and others. The West will have to determine how far it is prepared to go to ensure the

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independence of these states. Whereas Poland, Hungary, the Czech republic and Slovakia do not fear a Russian military threat any longer, the states of the former Soviet Union do. The large Russian minorities in these neighboring states will increasingly be used to justify Russian military intervention.

Coping with a New Russia, Eastern Europe

THE CONTINUING CRISIS within the EC about its future, combined with the serious internal problems of its member states, including Germany, make it unlikely that Europe will provide the necessary leadership for dealing with Russia in 1993. Only America has the requisite authority and power to take command. Moreover it has a historic opportunity to provide it. The Clinton administration should work closely with Europe and Japan to address Russia's problems. President Clinton should not, however, wait to take bold steps until a consensus is achieved. Real Western leadership in dealing effectively with the five challenges is needed. The president must focus on two particular areas: developing a strategy for Russia and eastern Europe and reorienting American assistance to the region.

The administration must first come to grips with key strategic questions: Is the United States prepared to provide leadership for the two decades it will take to complete the transformation in eastern Europe and make the process irreversible in the former Soviet Union? Is the United States resolute in recognizing the territorial integrity of the Russian federation, while trying to assist in the creation of a new form of federalism? Is the United States prepared to take the necessary steps to help ensure the sovereignty and independence of the former Soviet republics and protect them from Russian domination? Is the United States prepared to abandon its policy of double standards toward Russia on a host of subjects, such as arms sales (for example the United States pressured Russia not to sell arms to Taiwan and then turned around and did so itself, thus greatly angering Moscow authorities). Is the West prepared to extend security guarantees to the new democracies of eastern Europe or to visibly strengthen the peacekeeping role of the Conference on Security and Cooperation in Europe (CSCE)? Is the United States prepared to see Russia as a long-term, global strategic partner, or will Russia continue to be skeptically viewed as an unreliable and potentially hostile

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Eurasian power?

Until these questions are answered, there can be no Western or American strategy, only tactical responses to a revolutionary situation. Some ideas for the Clinton administration, Japan and Europe to consider include:

—With respect to Russia and other C.I.S. members, the single highest priority for the Clinton administration is to redefine and increase the amount of U.S. assistance classified as humanitarian. Medicine, hygienic products, vitamins and other nutritional supplements should be included in such an expanded definition of humanitarian assistance. Apart from the ethical reasons for doing so, such actions would build considerable goodwill among the Russian populace and help counteract the growing anti-American sentiment among important sectors of the society.

—The United States should organize an international working group to conduct a detailed analysis of present and future security risks in central and eastern Europe, the Balkans and the former Soviet Union. The United States should then present these findings at a summit in order to press for the creation of a security framework that is responsive to the clearer understanding of actual risks. In particular, the United States needs to develop a new approach—a form of "peace insurance"—that effectively engages the international community before a crisis erupts requiring "peacekeeping" or "peacemaking."

—The United States should take the lead in establishing a new Western economic strategy for Russia. Any assistance that might accelerate inflation should be avoided. The U.S. government should establish a risk capital fund to match the capital investment of those medium- and small-scale American companies willing to invest in Russia and other states in the region. This fund should emphasize advanced technology businesses. The United States should also take the lead in establishing a food sector fund to facilitate food production and distribution.

—Washington must send a clear message to leaders in Moscow that, despite the current failure of macroeconomic stabilization, the West is prepared to increase the size of the International Monetary Fund's standby loan for Russia, but is not prepared to soften the loan's conditions. At the same time, the United States should provide leadership for the international community to conclude a five-

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year, 100 percent debt relief agreement with only token interest payments.

—To discourage the resurgence of Russian chauvinism and to give legitimacy to the Russian army as a peacekeeping force in internal C.I.S. disputes—especially those involving the protection of Russian minorities—President Clinton should recommend that military observers, acting under CSCE auspices and drawn primarily from NATO countries, be included in all peacekeeping missions within the territory of the former Soviet Union.

—To prevent "warlordism" and to more effectively safeguard the Soviet nuclear weapons stockpile, the West must obtain greater leverage with the Russian military. This can best be accomplished by embarking on an energetic policy of providing facilities for troops returning to Russia; retraining programs for the Russian military, especially officers, to allow their integration into the civil economy; and speeding up the dismantling of nuclear weapons and securing their fissile material. In general the United States should reorient assistance toward activities that will demilitarize Russian society.

—The West must promote meaningful independence for the non-Russian members of the C.I.S. It can no longer downplay their status as full international entities. Embassies should be opened in all C.I.S. capitals and ambassadors dispatched. Russian behavior in these states must be judged by the same standards America applies to Russia's conduct in other neighboring states.

Making Western Assistance Relevant

A GREAT DEAL has been learned since 1989, when the world witnessed the stunning collapse of communism in Europe, that should be taken into account in developing Western assistance policies. Though it is unlikely that major new sums of support will be forthcoming, a great deal more could be done to make better use of existing appropriations. In particular, the following kinds of actions could be undertaken:

—Reorient the primary U.S. assistance programs, particularly those administered by the Agency for International Development, toward the grass roots. In central and eastern Europe where macroeconomic stabilization has been basically successful, America should focus its assistance on

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the microeconomic level, working with enterprises and workers to help ease structural transformation.

—Invest in the technology that helps east European nations move from the industrial age to the information age. This "leap-frog" technology could be an effective way to strengthen democracy by providing greater access to information. It could revitalize these economies through the development of advanced telecommunications infrastructure, and can be economically beneficial to Western companies with leading technologies.

—Concentrate on those countries—Slovakia, Romania, Bulgaria, Ukraine—that are at the more pivotal stages of transition. In Poland, Hungary, Slovenia and the Czech Republic, America should focus on specific problems (environmental pollution, unemployment, inadequate health care) and specific regions that lag behind in the transition, such as North Bohemia and Suwalki. A sizeable portion of U.S. support should be devoted to transnational cooperation ranging from transportation and energy to agriculture and telecommunications.

A long-term strategy to assist the process of transformation is no less important than was the Marshall Plan after the Second World War; the stakes are equally high. What happens to Russia and eastern Europe affects America and the world. A conflagration in Kosovo or Macedonia could engulf both Turkey and Greece, two NATO allies. The potential chain of reactions is almost infinite. Waiting for an international consensus to build around a new strategy will mean that America will be too late and too uninvolved to make a difference. Playing to the grandstands by speaking about the triumph of democracy and American values means nothing in the transitional world of post-communist Europe.

President Clinton, as the maestro of Western policy, can make a difference if he accepts the toughest parts of the challenge. He should remember the words of the late conductor George Szell: "Conductors must give unmistakable and suggestive signals to the orchestra—not choreography to the audience." This is what the people of eastern Europe and the former Soviet Union expect. So do many Americans.

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ASIA/PACIFIC CHALLENGES

Robert B. Oxnam

The Rising Pacific

PRESIDENT CLINTON and most Asian leaders in government and business agree on one thing: the revitalization of the American economy is far and away the most important priority in U.S.-Asia/Pacific relations. But as the president begins to put together his economic plan for America, he faces several tough foreign policy challenges in the region. He inherits a sense of declining U.S. importance in Asian eyes and yet, perhaps ironically, a continuing Asian desire for a strong U.S. role and presence. He does not inherit a coherent Asia policy, but rather a series of strained bilateral relationships with several countries, especially Japan and China. To top it off some prominent Asians have already concluded that President Clinton is bent on building trade walls, bringing home the troops and lecturing about human rights. Instead of grand strategies what is needed from the Clinton administration is a fresh mix of initiatives—some that address Asia-wide concerns and others that focus on specific Asian countries. Emphasis on long-term results, rather than quick fixes, will contribute not only to Pacific stability, but also to Clinton's image as a global statesman.

In this respect the president confronts three overarching Pacific-wide challenges: regional and global trade policies, post-Cold War security issues, and U.S. diplomatic structure and style.

Trade Issues. Over the last fifteen years Asia has surpassed Europe as America's most important overseas trading region; some estimates indicate that Pacific trade will double the volume of Atlantic trade by the year 2000. Last year east and southeast Asia absorbed one-third of the total $422 billion in U.S. exports. And economic growth rates are world busi-

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ness news as newly industrialized economies (NIE) status spreads across Asia—Japan in the 1960s; South Korea, Taiwan, Hong Kong and Singapore in the 1970s and early 1980s; Thailand and Malaysia in the late 1980s; southern China in the early 1990s; and many analysts put Vietnam, Indonesia and possibly the Philippines in that category by the late 1990s.[1]

Against this vibrant Asian economic backdrop the United States has had a vexing time working out effective trade strategies. Reports of trade imbalances arouse widespread fears akin to biopsy reports on cancer patients. *The Far Eastern Economic Review* projects that the 1992 trade numbers will show two huge Asian surpluses with the United States—$50 billion held by Japan and $15 billion held by China.

Trade tensions have become the lead weight dragging on U.S.-Asia relations with powerful domestic lobbies pressuring leaders on both sides of the Pacific. In this troubling area Clinton will have to weigh economic imperatives and political realities; he may choose to combine two approaches drawn from recent history. The first is to maintain bilateral trade toughness. A firm approach toward trade has sometimes borne real fruit.[2] Among the well-worn devices will surely be "301 Actions" (unilateral U.S. trade limits on commodity imports in retaliation for reported trade violations from particular countries) and possibly new Structural Impediments Initiative talks (a broad review of structural issues affecting U.S.-Japan economic relations that might be applied to other U.S.-Asian relationships).

A second approach may emanate from the newly formed National Economic Council. Such an institution might propose that the United States take the offensive, abroad as well as at home, perhaps urging some variant of an industrial policy to bolster areas of competitiveness. If so, President Clinton might put trade statistics into a new framework, one that properly notes the United States must shoulder part of the blame for imbalances and that the U.S. surplus with many countries in service industry trade should be part of its overall calculation. In this scenario President Clinton could argue that one must take a longer-range view—emphasizing product competitiveness and marketing, closer government/business

[1]U.S. policy in south Asia is beyond the scope of this essay.

[2]During 1992, for instance, such pressure prompted China to accept important agreements on market-access and intellectual property rights.

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communication, and multinational and global targets rather than solely bilateral goals. In short President Clinton could offer a U.S. strategy that adapts certain highly successful elements of leading Asian economies to suit American needs.

By looking across the Pacific through new glasses the Clinton administration might open American eyes to one of the most important economic stories—the economic congealing of the Asia/Pacific region. Many have marvelled at the takeoff of individual Asian countries, but fewer Americans have observed the flow of products, services, labor and capital within Asia itself. The countries of the Association of Southeast Asian Nations (ASEAN)—Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand—have soaked up massive amounts of Japanese, Korean, Taiwanese and Hong Kong investment. "Greater China" (as some call the rapid integration of south China, Hong Kong and Taiwan) rests on a dynamic network of Chinese entrepreneurs who manage amounts in the hundreds of billions of dollars. And South Korea has shown that imaginative diplomacy can also be good business as it has opened up extensive ties with earlier adversaries, the former Soviet Union and the People's Republic of China (P.R.C.).

"Only a huge push involving the joint initiatives of business and government is likely to reverse a decade-long trend of American interests being eclipsed in the lucrative Asian marketplaces."

The United States is becoming a relatively smaller player in intra-Asian trade and investment. Only a huge push involving the joint initiatives of business and government is likely to reverse a decade-long trend of American interests being eclipsed in the lucrative Asian marketplaces. Now is the time to substantially increase U.S. exports and investments, while America still remains a major market for most southeast Asian countries.

In recent years the U.S. government and private sector gave greater attention to European and American economic regionalism than to Pacific integration. This imbalance did not escape the notice of some Asian leaders who see a fearful symmetry in the emergence of the North American Free Trade

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Agreement and the European Community at precisely the same time that the global General Agreement on Tariffs and Trade system seems most under attack. U.S. support for Asia Pacific Economic Cooperation (APEC) has been an important counterweight; the Clinton administration will need to do more to reassure Asian governments that its initiatives, including support for NAFTA, are not aimed at promoting exclusivist trade blocs. Unless the United States puts forward convincing arguments, backed by more direct attention, schemes such as Malaysian Prime Minister Datuk Seri Mahathir's East Asian Economic Caucus—a grouping that pointedly omits the United States—may prompt serious attention. Ultimately the best hope for Asia/Pacific economic relations rests in a successful conclusion to the Uruguay Round of GATT and continuing efforts to broaden the scope of multilateral liberalization of trade and investment.

Security Issues. In November 1992, as the U.S. fleet steamed out of Subic Bay in compliance with the decision of the Philippine Senate not to extend the bases' agreement, a century-long era of U.S. military presence came to an end. To some the departure from the Philippines symbolized the waning of U.S. military commitments in the Pacific that had been a staple of the Cold War. Nevertheless, even after the withdrawal from the Philippines, the United States still has military alliances with Japan, South Korea, Australia, the Philippines and Thailand, and deploys over 100,000 military personnel in Asia, most of them in South Korea and Japan. There is little doubt that those numbers will decline in the years ahead, partly because of planned cutbacks and partly out of continued pressures at budget-balancing. The United States will be moving toward a sea-and-air-based posture for much of its residual presence in the Pacific, rather than the land-based deployments that characterized the Cold War decades.

In the post-Cold War era it is folly to scan the world for a new hydra-headed enemy, but America must recognize that the current security environment is very new and subject to considerable uncertainties. Clearly the United States should remain vigilant to potential concerns—such as the recent buildup in Chinese naval and air strength—without exaggerating such developments into immediate threats. A more sensible approach acknowledges that, with the possible exception of tensions on the Korean peninsula, direct threats to U.S. inter-

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ests in the Asia/Pacific arena have declined substantially since the collapse of the Soviet Union.

Most Asian leaders are still hopeful that the United States will retain a significant Pacific military presence. Most do not dwell on the danger of a rising malevolent power (though many privately express long-term worries about Japan, China, a united Korea and eventually—again—Russia). And most do not foresee an imminent crisis (though they fret about ongoing tensions in the Korean peninsula, renewed conflict in Cambodia, and saber-rattling over the Taiwan Strait and in the South China Sea). Instead what concerns them most is the long history of instability in the Pacific; they point out that security vacuums tend to tempt tyrants or to promote crises. Surely, they argue wishfully, the United States will remember its own history—that its military problems in Asia came not only from excessive over-involvement (as in Vietnam), but also from dangerous inattention (as in the years leading to World War II).

President Clinton will want to make security plans in full consultation with allies and friends in the region. Reaffirmation of alliance relationships will probably also be a high priority—especially with Japan, which remains the key U.S. partner in the region, and with South Korea, whose security is still tied to the joint U.S.-South Korean trip wire against adventurism from North Korea.

The United States will also wish to maintain its support for U.N. peacekeeping efforts in Asia and the rest of the world. It does seem premature, however, to move toward a Pacific-wide security mechanism, such as a Conference on Security and Cooperation in Asia (after the European CSCE). Simply put, Asia lacks the cohesiveness, in history or geography, of Europe. Although most Asian security issues seem well addressed by existing bilateral mechanisms, this multilateral idea should be reviewed at future APEC conferences or possibly the Group of Seven leading industrialized nations (G-7) summit meetings.

Diplomacy and Style. If Clinton wishes to distinguish himself in Asia, he would be well advised to devote as much time to *how* diplomacy is conducted as he does to *what* is actually accomplished.

Many Asian leaders privately fault some of their American counterparts for exhibiting an insufferable arrogance, as if all substantive geopolitical decisions were still made in Washington and all significant economic deals were still con-

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summated on Wall Street. They further complain that top-level Americans give scant attention to Asia, making a quick decision or taking a quick trip, then running off to more important business elsewhere.

The year 1992 began with a jolting illustration of the American decline in Asian eyes. Whatever the diplomatic accomplishments of President Bush's trip across the Pacific in January—and there were some, including the now-forgotten Tokyo declaration—it was a public relations disaster. Presumably to show toughness in trade negotiations, President Bush invited several American business leaders to accompany him, including Chrysler Chairman Lee Iacocca, who then eclipsed the president by lambasting his Japanese counterparts and the Japanese government for unfair trade practices.

President Clinton has a unique opportunity to change the negative imagery. Some Asian leaders who have watched Clinton on television have been impressed by his intellect, directness and ability to connect. They hope that he can find the time, perhaps around the G-7 summit in Tokyo in July 1993, to take a short trip through the region for an initial round of personal diplomacy. A presidential style that emphasizes consultation and listening would be deeply refreshing to leaders across the Pacific. That style might also be reinforced by assigning someone who is Asia-knowledgeable direct, visible access to the Oval Office, thus conveying the fact that Washington is attentive on a regular basis. Virtually everyone hopes the Clinton administration will reinforce diplomatic professionalism, making ambassadorial appointments from the Foreign Service or selecting people with substantive knowledge and experience.

"A presidential style that emphasizes consultation and listening would be deeply refreshing to leaders across the Pacific."

Many Asia specialists, on both sides of the Pacific, urge two significant shifts in how the U.S. government pursues its Asia policies. First, even though most business will still be conducted in traditional bilateral channels, more attention should be given to the impact of decisions on third parties. While multilateralism is given lip service, myopic bilateralism can still produce surprises, shocks and damages. Second, most of Asia feels

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that only a few countries, such as Japan and China, register on the U.S. diplomatic radar screen. Not surprisingly the sense of being snubbed prompts many to an instinctive, often unexpressed, anti-Americanism. Of course it is impossible to pursue a completely "equal opportunity" diplomacy, but the avoidance of insult should be a high priority.

U.S.-China Relations: Avoiding Collision

UNFORTUNATELY, but inexorably, China has worked its way up the policy ladder to the number one, short-term Asian issue confronting the incoming U.S. administration. During the campaign Clinton spoke sharply about China—envisioning "an America that will not coddle tyrants, from Baghdad to Beijing"—a position he seemed to modify on November 19 when he noted that the Bush administration had achieved "more moderation" in Beijing's trade policies.

The searing impact of the Tiananmen Square massacre is still deeply felt in the United States while it has faded into memory elsewhere; most major countries have resumed normal to regular relations with Beijing (recent top-level visitors have included the emperor of Japan and the prime ministers of the United Kingdom, Japan and Italy). And throughout Asia—whether in Japan, Korea, Hong Kong, Bangkok or Singapore—one hears fervent hopes that the Clinton administration will not further undercut an already seriously weakened relationship. Almost everyone in Asia sees U.S.-China relations as a crucial factor underpinning stability and growth in the Pacific; no one forgets the frightful brinksmanship of the 1950s and 1960s when Washington and Beijing stood at odds.

In recent years some have suggested China might follow "an Asian form of development," in which economic takeoff coexists with more authoritarian governance, eventually prompting more pluralistic political systems (as seen most clearly in the cases of South Korea and Taiwan). The Chinese economy, nurturing a fast-growing private sector while still keeping some centralized planning, has made stunning strides in the early 1990s with growth rates that matched the front-running NIEs.[3] Foreign trade has surged forward, not only giving rise to Greater China but also creating a commercial network that links China to all of east and southeast Asia and

[3]Over the past 14 years real GNP in China has averaged 9% annual increases.

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Europe, as well as to the United States. China's modernization, a dream of reformers for over a century, is well on the way to realization.

In sharp contrast to its positive economic news, China's politics have had their chilling side. In the aftermath of Tiananmen there was a wave of arrests, incarcerations and summary judgments in an inquisition-like atmosphere. Under much tougher outside scrutiny, China's seamier side has been exposed—political prisoners and alleged torture, weapons sales to the Middle East, and exports produced by prison labor (though there is now an agreement to curtail this practice).

"Foreign trade has surged forward, not only giving rise to Greater China but also creating a commercial network that links China to all of east and southeast Asia and Europe, as well as the United States."

In what direction is China heading? The 14th Party Congress, which ended in October, produced a ringing endorsement of widespread economic reform, but was considerably more cautious in terms of political reform, yielding a politburo with a mix of hardliners and pragmatists. Yet as Barber Conable and David Lampton recently argued: "The post-Tiananmen economic reforms and the current acceleration of economic change will soon put serious political reform back on the agenda. The only issue is whether the elite gets out ahead of these demands or is forced to respond."[4] That is the central question as China ponders the succession to Deng Xiaoping, the still-dominant leader who is approaching ninety years of age. No one can forecast the outcome, but there are some specialists who express cautious optimism that more pragmatic Chinese figures—reformers who have proven records as municipal and provincial modernizers—may eventually play dominant roles, promoting both economic development and greater political openness.

Nowhere on earth will the Clinton administration face more delicate and dicey choices than on China policy. On the one

[4]Barber B. Conable, Jr., and David M. Lampton, "China: The Coming Power," *Foreign Affairs*, Winter 1992/93, pp. 141–42.

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hand a deteriorating relationship would be a huge tragedy. America would lose the chance to remain engaged in China's modernization, to profit from the trade and investment, and to work jointly with China on serious mutual concerns in the Asia/Pacific region and beyond. For twenty years, since the famous meeting between President Richard Nixon and Chinese leader Mao Zedong in February 1972, the United States has labored to prevent the isolation of China, which might prompt Beijing's leaders to move again at cross purposes to American policy interests. On the other hand the United States does have serious human rights concerns about China, concerns that have already found forceful expression in Clinton's campaign rhetoric. Americans do not quickly forget bloody repression, especially when so vividly displayed on international television, and cannot be deaf to reports of serious abuses.

The problem, then, is to develop a policy that combines strategic, economic and human rights goals, one that produces long-term effects and avoids short-term deterioration. To achieve this goal it is imperative to remain engaged with China at high diplomatic levels and with significant trade and investment. Such involvement is essential not only for stability in the region, but also to address a wide array of concerns (including bilateral trade tensions as well as American and Chinese outlooks on potential hot spots like the Korean peninsula and Indochina). Although there is no way that outsiders can shape China's leadership changes, continued high-level involvement prepares Washington to deal actively with Beijing's future successor governments.

The U.S.-China relationship is dangerously frayed. Thus far Beijing has kept its irritations in check—reacting mildly, for instance, to Bush administration decisions in October 1992 to sell F-16s to Taiwan and to send a cabinet-level officer on a visit to Taipei. But 1993 could bring sharper words and stronger actions from China. Beijing's new toughness toward Governor Chris Patten's efforts to enhance the democratic structure in Hong Kong can also be read as an indirect message to the United States: China intends to play hardball.

Any effort to condition most-favored-nation trade status would seriously jeopardize the U.S.-China relationship and would prompt retaliation. MFN is, of course, a misnomer; the fact that it is extended to all but 12 countries around the world indicates that the term "favored" is hardly applicable.

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The loss of MFN standing would most hurt precisely those America seeks to help—China's rising modernizers. It would also cripple Hong Kong, whose economy is increasingly tied to China's and which is already deeply anxious about its future status under China's rule after 1997. Moreover the denial of MFN status to China would seriously impact Taiwan, whose trade and investment links with mainland China have expanded exponentially in recent years. In short most Chinese entrepreneurs in Asia, whether inside the P.R.C. or not, would be sharply hit by a negative MFN decision.

So what can be done to express U.S. concerns about human rights? The single most effective device would be direct high-level meetings in which the United States privately and forcefully makes its concerns known, not in some generalized fashion but around specific cases. Such a strategy would not only be clear-cut in dealing with current leaders, but would also assure more moderate rising leaders that the United States intends to stay engaged while keeping to its principles. Such private, tough-minded dialogues are also the place to raise related concerns—for instance, prompting China to stop jamming Voice of America transmissions and to permit prison inspections by the International Committee of the Red Cross. While evolving human rights tactics for China, it is imperative that the Clinton administration articulate a global human rights strategy so as to avoid double-standard diplomacy, treating some countries more harshly than others.

U.S.-Japan Relations: A Fresh Dialogue

THE U.S.-JAPAN relationship is undeniably the most important bilateral linkage in the Pacific. A seriously weakened U.S.-Japan relationship, especially if combined with major erosion in U.S.-China ties, could turn back the clock in Asia by decades.

Many analysts correctly observe that U.S.-Japan ties run much deeper than Cold War antagonism to the Soviet Union. U.S.-Japan bilateral trade is the largest overseas commercial linkage in the world; the Tokyo-Washington alliance relationship has been the bedrock of Asian stability; both nations are deeply committed to democratic government, a free press and basic rights.

Despite these truisms, U.S.-Japan tensions run deep. Trade is the immediate problem and the Japanese, along with other

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key Asian trading partners (Korea and Taiwan), will be watching Washington warily. Such acrimony may, in fact, be the surface noise to deeper changes in the two economies. After several years of prolonged recession the U.S. economy appears to be on the way to recovery; that very fact may moderate the American sense of urgency in trade negotiations. And the Japanese economy, after years of remarkable domestic growth and global impact, has crashed into serious structural walls—a grossly overvalued capital market, an overpriced and moribund property market, a huge and sluggish banking system with extensive bad debts, and growing threats to the sacred system of lifetime employment. While most observers expect a Japanese economic comeback at some point in the 1990s, the short-term negotiating prospects may occur between a more vibrant United States and a more decrepit Japan.

"Washington, which has long urged Japan to pursue more activist foreign policies, may find the more independent bent of such policies not entirely to its liking."

Just as the U.S. and Japanese economies are in different cycles, so too both foreign policies now move in somewhat different directions. Japanese leaders have been sharply critical of America's China policy, for instance, suggesting that Washington's breast-beating on human rights issues threatens to isolate Beijing. More recently high-level Japanese delegations to China hold open the possibility that Tokyo and Beijing may find new affection in an era of Sino-American afflictions. Second, in early November 1992, after years of urging the United States to move more rapidly toward normalization with Hanoi, the Japanese took the jump on U.S. policy by resuming aid to Vietnam. Clearly Japan is now positioned, along with Taiwan and Hong Kong, to reap the early benefits from Vietnam's long-awaited integration into the Pacific economy.

Washington, which has long urged Japan to pursue more activist foreign policies, may find the more independent bent of such policies not entirely to its liking. That is one of the perils of obsessive bilateralism—one tends to miss the multilateral benefits that may come from a more broadly gauged, less

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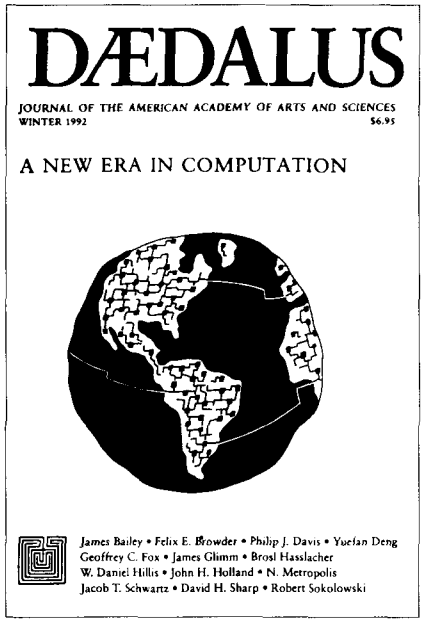
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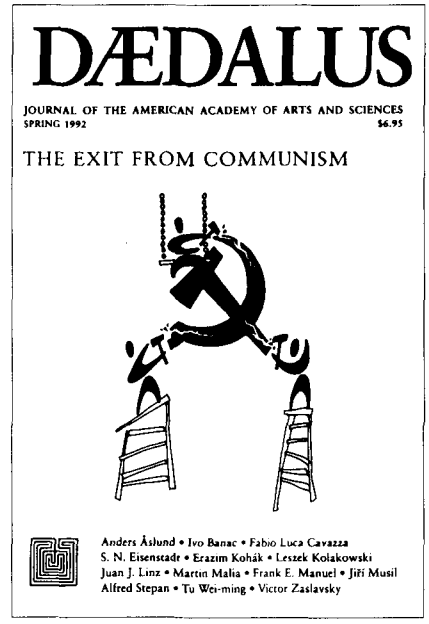
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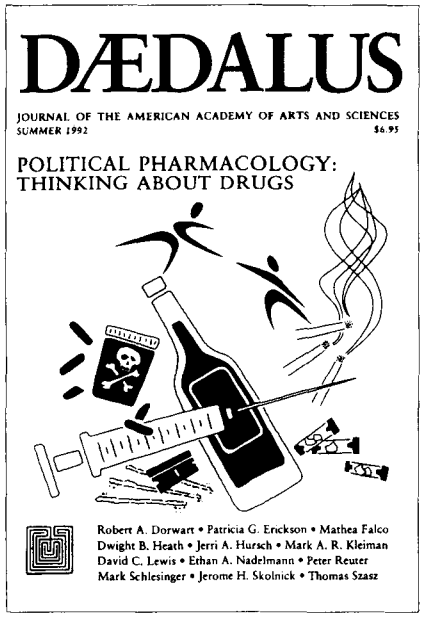
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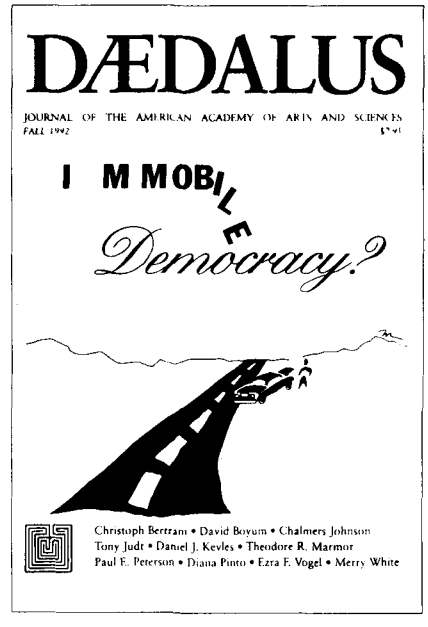
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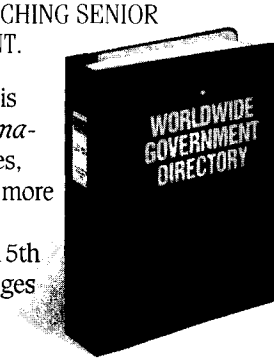

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strident policy.

In the U.S.-Japan relationship, perhaps more than anywhere else in the Asia/Pacific region, President Clinton will have an opportunity to engage in impressive personal diplomacy. In recent years the relationship has lost its sense of freshness, confidence and perhaps even trust. The unfortunate January 1992 encounter between President Bush and Japanese Premier Kiichi Miyazawa may have set the stage for much more successful Clinton/Miyazawa meetings in 1993. In the process the new American president would also be signaling Japanese leaders that he was bringing new vigor and vision to a tired relationship.

All of this presumes, of course, that President Clinton will combine firm talk on trade issues, leading to successful economic negotiations and agreements with a broader bilateral and multilateral agenda. Rampant Japan-bashing would simply turn back the clock, prompting a new round of America-bashing in the Tokyo press. A more productive approach might be to focus on regional and global environmental issues. The Clinton/Gore commitment to environmental protection is matched by some Japanese leaders who are proud of several domestic environmental initiatives (especially in reducing air pollution and enhancing energy efficiency) that they believe counterbalance Japan's negative international reputation (in violating bans on whaling, driftnet fishing, ivory and tropical timber imports). Clearly the United States and Japan provide the key—both as heavy resource consumers and also as capital rich societies—to future global environmental policies.

Korea's Metamorphosis

THE DIVIDED KOREAN PENINSULA, the Cold War's most fearsome legacy to Asia, has undergone some remarkable transformations in recent years.

In December 1991 North and South Korea signed two dramatic agreements, promising reconciliation and also mutual weapons-facility inspections to create a nonnuclear peninsula. While progress toward implementing those agreements was slow to nil in 1992, hopes were raised in Korea and in the region. In 1992 North Korea agreed to five ad hoc inspections from the International Atomic Energy Agency, easing some fears about the urgency of the problem, but not eradicating all suspicions about North Korean nuclear intentions or potential.

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President Clinton has pledged to continue the potent U.S.-South Korean alliance and to maintain troops in South Korea as long as the threat remains.[5] President Roh Tae Woo hands his successor, Kim Young Sam, a country that has made enormous strides since 1988. Its economy, though buffeted by internal problems, is among the most important in the world. (South Korea is currently the seventh-largest trading partner of the United States.) Diplomatically Roh has surprised the world by opening full relations with Moscow (September 1990) and Beijing (August 1992), thus greatly increasing Seoul's global reputation and leverage while leaving Pyongyang even more isolated. Politically Roh has overseen the transition to a far more democratic society, breaking with a long tradition of authoritarian rule and military interference.

Unquestionably America's first loyalty is to South Korea, but should the United States also consider upgrading its ties with the North? It is a question that will surely be reviewed by the incoming administration, although it is unlikely to prompt early decisive action. As president-elect, Clinton told President Roh that he would "coordinate" with Seoul on the issue of Pyongyang's nuclear capacities. Presuming progress on the nuclear issue, the United States should open a higher-level dialogue with North Korea as promised when Under Secretary of State Arnold Kanter met with a ranking North Korean official in January 1992. Although the North Koreans have complained about the United States "moving the goalposts," in considering steps toward normal relations, other issues must be addressed, including Korean War remains, renunciation of terrorism, North Korea's missile technology exports and human rights violations.

"Unquestionably America's first loyalty is to South Korea, but should the United States also consider upgrading its ties with the North?"

North Korea under Kim Il Sung remains one of the world's most isolated, most unpredictable and most economically deprived societies in the world. If cautious movement toward

[5]Currently U.S. troop strength is 37,400, down from 43,000 a year ago.

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normalization can help draw out the North, moderating its militancy and modernizing its economy, then the Clinton administration may wish to explore that approach over time.

Indochina and Southeast Asia: Noncrisis Dilemma

ON OCTOBER 23, 1992, President Bush announced that "today, finally, I am convinced we can begin writing the last chapter of the Vietnam War." He was speaking of new MIA data brought back from Hanoi by General John Vessey. The 2,265 U.S. servicemen listed as missing in action, still unaccounted for, remain the chief obstacle to lifting the U.S. trade embargo, permitting international lending, and eventually establishing normalized U.S.-Vietnam relations.

After these announcements Washington is feeling sharp pressures on the volatile Vietnam issue. Business community leaders and policy analysts are urging forthright action so as not to lose momentum to Japan and other countries. They note that Vietnamese authorities appear to be fully cooperating in addressing MIA/POW cases.

President Clinton, given his anti-Vietnam War history, may find it more difficult to make a convincing case to the families of U.S. servicemen. He has expressed his deep concern over the MIA issue. But he will also be hearing strong voices for normalization—from business and banking, from the media and from foreign governments—and those voices will grow louder over time.

In fact U.S.-Vietnam normalization is an issue where President Clinton may have to expend some political capital, making a move that will be sharply criticized in some quarters. Failing to move on normalization would surely leave the United States as odd-man-out in southeast Asia. Worse than the loss of trade and geopolitical stability, a failure to normalize would, in fact, perpetuate the deep divisions that prompted Clinton, and so many of his generation, to protest the war two decades ago. President Clinton has a chance to show that it is indeed time to end the Vietnam War.

Great hopes surrounded the other war-torn southeast Asian country, Cambodia, when on February 28, 1992, the U.N. Security Council approved a plan to govern the transition to elections under the supervision of the U.N. Transitional Authority in Cambodia. Tragically, however, the Khmer Rouge has refused to cooperate with military cantonment or

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with access to its controlled areas. Khmer Rouge leaders charge that huge numbers of Vietnamese disguised as civilians remain in Cambodia and that the Hun Sen regime in Phnom Penh exercises total control over Cambodian life. At this point the long-awaited May 1993 elections run a considerable risk of including only the non-Khmer Rouge areas and parties. Nevertheless U.S. policy seems clear-cut: supporting the U.N. peacekeeping operations and upcoming elections, even without Khmer Rouge participation, and praying that Cambodia's terrible nightmare will indeed soon be over.

Elsewhere in southeast Asia the Clinton administration will face relatively more manageable issues. Thailand, after an early 1992 brutal episode of military repression, returned to the course of democracy under the courageous leadership of Prime Minister Anand Panyarachun and his successor, Chuan Leekpai. The Philippines also saw a somewhat peaceful passage of power from President Corazon Aquino to Fidel Ramos. Indonesian policies toward East Timor remain troublesome—as a consequence in 1992 Congress discontinued a military training program for Indonesia and threatened further economic retaliation.

"Treating headaches before they become migraine crises—that is a central challenge in the future of America's Asia policy."

Southeast Asia as a whole, particularly the six countries in ASEAN, raises a more subtle question for the Clinton team. In the post-Cold War era, will ASEAN, once seen as a buttress against Indo-Chinese and Soviet communism, still attract substantial attention from U.S. policymakers? Together the ASEAN countries offer lucrative markets, low-cost talented labor and rich resources, precisely the mix that should attract an economically oriented administration.

ASEAN, in short, raises one of the most difficult problems confronting U.S. diplomacy. How does the United States deal sensitively with a region that poses no immediate crises? That is, in fact, precisely where the professionalism of the U.S. Foreign Service is most tested—in its ability to sustain sufficient attention, to prompt intelligent decisions, to muster appropriate resources in handling noncrisis situations. Treating headaches before they become migraine crises—that is a cen-

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tral challenge in the future of America's Asia policy.

The Peril of Moving Too Quickly

ON BALANCE THEN, the murky inheritance in U.S.-Asia relations may offer some silver linings. The biggest danger for the Clinton administration is that of moving too quickly, probably on China but possibly on Japan, thus losing widespread potential support in the Pacific rim countries. The challenge is to find a paced and balanced approach, giving appropriate close attention to human rights and trade issues, but also nurturing the overall stability and dynamism of the Pacific.

It is worth remembering that, after a half century in which the United States has been involved in tragic Asian land wars no less than three times, the Pacific has entered a fragile new era of relative peace. Remarkably, through Asian entrepreneurial skill and open access to the American market, Asia now houses the world's most impressive and most promising economies. And almost miraculously the powerful upsurge of middle classes has propelled several Asian societies toward more open, more democratic political systems.

If Americans forget this historical perspective and act primarily out of single-issue domestic passions, the United States will suffer a backslide in its relations with key players in Asia. If, on the other hand, America can fashion an appropriate mix of security, trade and human rights initiatives, based on genuine sensitivity to Asian views, conveyed by a vigorous and convincing new American president, then there will be a new U.S. Asia policy that may achieve not only substantive results but also renewed respect.

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LATIN AMERICA: READY FOR PARTNERSHIP?

Abraham F. Lowenthal

From the "Lost Decade" to a New Boom

PRESIDENT BILL CLINTON will have to decide soon what stance to take toward the countries of Latin America and the Caribbean. Should he embrace former President George Bush's soaring vision of a "free trade system that links all of the Americas—North, Central and South—as regional partners in a free trade zone stretching from the port of Anchorage to Tierra del Fuego"? Are America's neighbors in the western hemisphere ready for such a partnership? What priority should relations with Latin America have when the U.S. public is so concerned with domestic issues?

At the end of the 1980s, with the Cold War winding down and Russia and the other countries of eastern and central Europe turning toward free market competition, it was widely asserted that Latin America would become less important. After the "lost decade" of economic depression throughout Latin America, invidious comparisons were made with East Asia and Europe. Latin America seemed unable to compete in a world economy that requires fiscal discipline, investment and technological prowess. It was said that as investment and trade flowed increasingly to the former Council for Mutual Economic Assistance (COMECON) nations and those of East Asia, Latin America would lose any hope of foreign investment or sustainable recovery. An impoverished Latin America, with little remaining strategic significance to Washington in the post-Cold War world, might well drop off the map of U.S. concerns.

Far from ignored, however, Latin America has attracted enhanced attention in the early 1990s. By the beginning of

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1992, the region was often portrayed as poised for a new boom. International financial officials were singing Latin America's praises, and investors had rediscovered its virtues. Nearly $40 billion in private capital entered Latin America in 1991, more than twice the flow in 1990, the first year of net positive capital flow in almost a decade. New foreign direct investment in Latin America increased in 1991 by more than 150 percent. Five of the six fastest rising stock markets in the world that year were Latin American.

Latin America's political advances were also hailed. Senior officials of the Bush administration liked to claim that "96 percent of Latin Americans now live in democracy" and that the Americas are becoming "the first completely democratic hemisphere in human history." There appeared to be a new sense of community in the western hemisphere, reflected in the Organization of American States (OAS) and particularly in its 1991 Santiago Declaration, which established agreed procedures for collective action to protect democracy.

Has Latin America Turned the Corner?

THE FIRST STEP in assessing U.S. policy toward Latin America is to analyze the causes, scope and significance of the region's changes. Has Latin America finally turned the corner toward economic growth, democratic governance and hemispheric community?

Three shifts have unquestionably been taking place in Latin America during the past few years: an emerging consensus among economic policymakers on the main tenets of sound policy; the even more universal embrace of constitutional democracy as an ideal; and a growing disposition toward pragmatic cooperation with the United States.

By the late 1980s most Latin American economic policymakers came to share a diagnosis of the region's fundamental maladies and a set of prescriptions for restoring its health. Throughout Latin America and the Caribbean it became abundantly clear that the fiscal crisis of the state had to be confronted, and that it would be essential to bring inflation under control, even if that meant drastically reducing public expenditures. It became accepted as well that the import substitution approach to economic growth—however successful it had been in some countries during the 1950s and 1960s—was exhausted everywhere, and that the region's recovery depend-

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ed primarily on boosting exports, which in turn necessitated competitive exchange rates and an end to various subsidies and other forms of protection. It was also agreed that Latin America must sharply prune the state's industrial and regulatory activities, privatize public enterprises, facilitate competitive markets, stimulate the private sector and attract foreign investment. The emergence of this region-wide consensus is a paradigm shift of historic dimensions.

Equally striking has been the gathering accord on the desirability of constitutional democratic politics. Just 25 years ago self-proclaimed "vanguards" on the left and "guardians" on the right openly expressed disdain for democratic procedures, and both claimed significant followings. Since the mid-1970s, however, a wide spectrum of Latin American opinion has come to recognize the value of democratic governance: military officers and former guerrillas, intellectuals and religious leaders, corporate executives and labor organizers. Year by year it has become clear that most Latin American elites, as well as the public at large, agree that government authority must derive from the uncoerced consent of the majority, tested regularly through fair, competitive and broadly participatory elections. Latin America's commitment to electoral democracy has thus far survived even hyperinflation in Argentina, Bolivia and Brazil; democratic institutions in many European nations crumbled under similar conditions during the 1920s and 1930s.

"Most Latin American governments and many opposition movements in Latin America today want stronger links with the United States."

The broad regional turn toward harmonious relations with the United States has also been unmistakable. For years many Latin Americans defined their foreign policies primarily in opposition to Washington. They denounced U.S. interventionism and exploitation, bemoaned Latin American "dependence," and blamed the United States for many of their frustrations. Restrictive policies on foreign investment, reserved markets, high tariff barriers, movements toward regional economic integration and diplomatic *concertación* were all forged in part as responses to U.S. power. Only in the "banana republics" could a Latin

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American leader advocate close collaboration with Washington without political risk.

All this has changed. Most Latin American governments and many opposition movements in Latin America today want stronger links with the United States. Mexico made the most dramatic move toward U.S.-Latin American cooperation when President Carlos Salinas de Gortari and his team began to pursue a North American Free Trade Agreement (NAFTA) with the United States and Canada. In Argentina Carlos Saúl Menem has gone to great lengths to build close ties with the United States. Chile under Patricio Aylwin is pushing hard for a free trade agreement with Washington. Most other Latin American countries actively seek to improve their ties with the United States. Only Fidel Castro's Cuba holds on to its anti-Americanism, and even that country might be open to rapprochement if Washington were willing.

The turns toward free market economics, democratic politics and inter-American cooperation result from the widely perceived failure of Latin America's course in the 1970s and 1980s. Statist economics proved to be a dead end. So did authoritarian governments, which lost legitimacy everywhere—in some cases because prosperity made their high political costs seem unnecessary and in most others because they were ineffective even in economic terms. Confrontation with the United States proved to be a losing proposition as well, particularly as brave Third World talk of a "New International Economic Order" dissolved into mere palaver.

All these shifts were accelerated as well by dramatic international changes: the collapse of the Soviet threat and then of the Soviet Union itself; the end of the Cold War; the widespread validation of open markets and politics; and the fundamental restructuring of the world economy, driven by technological change. These global transformations, together with Latin America's internal experience, account for developments in the western hemisphere that were unexpected just a few years ago: the Sandinistas' acceptance of electoral defeat in Nicaragua in February 1990; the historic compromises for peace made by both the government and the insurgent left in El Salvador in January 1992; Mexico's embrace of NAFTA; the switch in many countries, even by old-time leaders, to economic policies diametrically opposed to those of the 1970s; the coming to power of rank outsiders in some countries; and the adoption of neo-liberal economic recipes throughout the region.

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Latin America's recent changes, in short, are not accidental or unconnected, nor are they merely cyclical. They are responses to profound regional experiences and to a transformed global context.

Economic Reforms at Risk

YET JUST AS these important shifts began to be recognized internationally, it became increasingly evident during 1992 that some are at grave risk. The region-wide promulgation of neo-liberal economic reforms was deceptively easy. It was stunning that similar measures were announced in short order in extremely different countries, often by presidents who had campaigned against such reforms. But in most cases this convergence owed much more to the lack of credible alternatives than to broad-based national consensus or to unshakable conviction among political leaders. Except in Chile, where accord on the core national economic programs was built over many years as part of the tacitly negotiated gradual transition away from the Pinochet regime, the political base for the economic reforms is still tentative, firmly supported only by leading technocrats and some segments of the private sector.

In Brazil and Peru the reforms were decreed by popular new presidents unrestrained by effective opposition, strong parties of their own, or even by well-organized constituencies; in Argentina and Venezuela they were announced by new presidents solidly in control of governing parties and able to impose their will. In each case, too, the new president had a broad mandate for change in the wake of disastrous failures by the preceding government.

Such a political honeymoon could not last. Fernando Collor de Mello in Brazil and Menem in Argentina both tried at first to govern largely on the basis of their personal standing. Both soon learned (Menem somewhat more rapidly and much more effectively than Collor) that it is vital to build coalitions to provide ongoing support and a capacity for implementation, even if it comes at the expense of policy autonomy or of popularity in particular sectors. Peru's Alberto Fujimori—elected precisely because he was an untainted outsider—built popular backing by criticizing virtually every significant group or institution in the country, save the armed forces; his attacks resonated with a deeply alienated public. Yet

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Fujimori's political cannibalism left him by early 1992 with virtually no organized allies except the military, and led to his April 1992 army-backed decision to suspend the constitution, dissolve the congress, purge the judiciary, restrict the media and establish a "direct democracy" based on authoritarian rule.

Unless Latin America's economic reforms generate demonstrable results soon, they may not become solidly entrenched. Centrally planned economies linked to a world socialist system are obviously no longer relevant, but the commitments to all-out privatization, extremely liberal foreign investment regimes, truly open economies and full regional integration are likely to be modified in the coming years unless the current approaches promptly yield evident benefits. Changes in policy are all the more probable as it becomes generally perceived that income concentration is worsening, and that social, economic and in some cases ethnic divisions are widening. It is difficult, if not impossible, for governments to sustain popular backing for reforms that enrich a privileged few without providing a credible promise of broad prosperity. Strong social safety nets and improved public services might help, but they are hard to achieve while neo-liberal economic reforms are being put in place, for these reforms tend to cut the state back. It is probably not accidental, in fact, that the two countries that have advanced most toward combining economic reforms with effective social programs—Chile and Mexico—both have the major earners of foreign exchange in government hands, as well as the strongest states.

"Unless Latin America's economic reforms generate demonstrable results soon, they may not become solidly entrenched."

Weakening support for the neo-liberal programs was evident throughout much of Latin America in 1992, especially in the electoral gains registered by the Workers' Party and the Social Democratic Party in Brazil, the Movement To Socialism and the Radical Cause in Venezuela, the Broad Front in Uruguay, the M-19 in Colombia and the Radical Party in Argentina. Particularly striking was the resounding rejection of President Luis Alberto Lacalle's privatization program, by 70 percent of Uruguay's voters in a December 1992 plebiscite. Bolivia's pri-

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vatization program, too, was sidetracked because of strong labor union opposition. And following Collor's ouster, Brazil's privatization and other reform programs also are likely to be substantially modified, for Collor's successor, Itamar Franco, is a traditional politician with nationalist instincts.

It is much too early to be confident that Latin America as a whole can recapture the economic dynamism of the 1960s and 1970s or achieve gains comparable to today's east Asian "tigers." Chile has managed seven consecutive years of impressive growth after, to be sure, long years of painful structural reform. But growth is not yet occurring in Brazil or Peru—and it has not yet proved sustainable at high levels in Mexico, Venezuela, Colombia, Ecuador, Bolivia, Uruguay, Paraguay, or in most Central American and Caribbean countries. The best growth records during the past three years have been achieved by Argentina, Mexico, Chile, Panama and Venezuela—but the latter two countries were rebounding from very deep recessions in 1988–89 and have still not fully recovered their prior levels, and the first two faced mounting difficulties in 1992.

Argentina's long-term secular decline appears to have been arrested and perhaps reversed, although after enormous cost to millions of the poor and the lower-middle class. But a severely overvalued currency, a rapidly worsening trade balance and signs of inflationary pressure raise questions about the sureness of Argentina's advances.

Mexico's massive trade and current account deficits—the latter was some $18 billion in 1992, almost three times the 1990 level and about one-half of total exports—could lead to renewed inflation. The predominance of short-term portfolio investment in the country's large recent capital inflow presents a second element of potential instability. A third comes from extraordinary sensitivity to trends in the United States, so pronounced that Mexico's stock market index declined 15 percent in one day when independent presidential candidate Ross Perot announced his opposition to the proposed NAFTA. Although Chile's impressive economic progress is soundly based on that country's economic restructuring and its success with such nontraditional exports as fruit and lumber, the scope for further growth of these sectors is shrinking as other countries start to compete, and Chile's internal market is small.

Economic performance elsewhere in Latin America and the Caribbean is still far from satisfactory. Brazil, with about 40

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percent of the region's economy, continues to fight high inflation (more than 20 percent per month) and prolonged recession, with unemployment in São Paulo reaching a record of over 1.3 million, scores of millions living in dire poverty and a third consecutive year of negative growth overall. Peru's disastrous 15-year slide—accelerated during the past five years in which per capita income plummeted 25 percent—has brought infant mortality rates and height-weight ratios in many areas to levels found in poor African nations.

The flow of voluntary capital into several Latin American countries since 1990 has been encouraging by contrast with the lean years from 1982–89. It was further facilitated by the Brady Plan external debt renegotiation completed in mid-1992 between Argentina and the commercial banks, and the similar agreement in principle with Brazil. But much of the capital entering Latin America has been portfolio rather than direct investment, and most of it is selectively concentrated in a few large, low-risk firms. A good deal of it appears, moreover, to be flight capital—originally taken out of Latin America by elites and likely to leave again at the first sign of trouble. Recent foreign investment in Latin America has been drawn to the region in part by high interest rates and by quick stock market spurts as well as by the relatively low interest rates prevalent in industrial countries. It could leave as rapidly as it has entered if any of these conditions change for the worse, as stock prices did in most countries in 1992—dramatically so in Argentina, Brazil and Mexico.

Latin America's economies have made strides, but they are not yet out of the woods. Fiscal deficits have been reduced and inflation largely tamed in most countries, but pressure continues on both counts. The ratio of interest payments to exports has been sharply reduced, but the stock of debt is still dangerously high. Export surpluses have been impressive but even the modest recoveries now occurring are pushing imports back up fast.

Some of the obstacles to growth have been eliminated or reduced, many of the bases of sustainable development are now in place, and the gains by Chile and Mexico suggest that success can be achieved. This surely is notable progress against the disastrous background of the 1980s. If Latin America's external environment is supportive—that is, if growth rates in the industrial countries rebound, if international protectionism is avoided, if interest rates stay low and/or further debt relief

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is achieved—there is good reason to hope that most Latin American economies can continue to advance. But these propitious international circumstances are far from assured with such persistent sluggishness in the U.S. economy and a global economic slowdown.

Low-intensity Democracy

THE REGIONAL turn toward democracy is also highly vulnerable. Indeed, effective democratic governance in Latin America is unchallenged only in those very few countries—Chile, Costa Rica, Uruguay and the Commonwealth Caribbean—where democratic traditions were already firmly implanted 35 years ago.

Peru's turn toward renewed authoritarian rule may be unique because of the national consensus against the extremist Shining Path movement. But the deep challenge to democratic rule is by no means confined to Peru. What was most striking about the nearly successful military coup in Venezuela in February 1992 and the even bloodier attempt in November was that they appeared to have considerable support within the military and were accepted with equanimity, if not outright enthusiasm, by quite a few Venezuelans.

Brazil's democracy is also facing grave difficulties, with a failed president, extraordinarily weak parties, corruption, street crime, rural violence, police repression and general unrest. The fact that an elected president could be peacefully removed from office for larceny shows Brazil's resilience and public respect for constitutional procedures and norms, as well as the growing strength of civil society: the press, trade unions, professional associations and grass-roots movements. But the spectacularly false start for Brazilian democracy is bound to take its toll.

In Argentina, where apparent victory over inflation helped Menem consolidate political support, the president's evident desire to change the constitution to permit his own reelection and the government's efforts to pack the Supreme Court raised questions about the durability and effectiveness of constitutional restraints. Widespread perception of massive corruption—as in Venezuela and Brazil—has further undermined public trust.

Guerrilla violence still erodes or hampers democratic governance not only in Peru but in Colombia and Guatemala, and

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there are incipient ethnically based insurgent movements in Bolivia and Ecuador. The pervasive corruption and violence associated with narcotics has been undermining democracy in Bolivia, Colombia, Panama, Peru, Suriname and Mexico. Throughout most of Latin America, civil-military relations remain an unresolved problem, exacerbated by the drastic effects of budget austerity on military salaries and perquisites, and by uncertainty about the role of the armed forces in a changed world environment. In Central America, except for Costa Rica, military establishments often call the shots, and large segments of each country's population remain excluded from effective participation. More than eighty years after its revolution, Mexico is still far from assuring "effective suffrage"; recent local elections have become a sort of primary, the announced results of which are then ratified or reversed by the absence or presence of demonstrations in the street.

The political situations in Haiti and Panama illustrate how misleading it is to check a country into the "democratic" column on the basis of one national election. Panama's U.S.-installed president, Guillermo Endara, now registers less than ten percent popular approval in the polls, and his proposed constitutional reforms were decisively rejected in November's plebiscite. Haiti's military-imposed de facto prime minister, technocrat Marc Bazin, lacks even a flimsy cloak of legitimacy.

"In country after country, polls show that most people still favor democracy as a form of government but are increasingly skeptical of all democratic political institutions."

In country after country, polls show that most people still favor democracy as a form of government but are increasingly skeptical of all democratic political institutions. The hard truth is that representative democracy is not being successfully consolidated in most of Latin America. What is often being entrenched instead is what has been called "democracy by default," "delegative democracy" or "low-intensity democracy." Governments that derive their initial mandate from popular election are tempted to govern "above" parties, legislatures, courts, interest groups or the organizations of civil society. To the

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extent that they do, weak institutions are further undermined, accountability is thwarted, public cynicism and apathy grow, and legitimacy is eroded. This syndrome poses the danger, in several countries, of a slide toward renewed authoritarian rule, albeit of a stripe different from the anticommunist military regimes of the 1970s.

The current Latin American enthusiasm for cooperation with the United States may also signify somewhat less than meets the eye. In a post-Cold War world, where Europe and east Asia seem to be building economic communities, it is obvious why some Latin Americans want regional integration with North America. But not even Mexico's avidly pursued goal of a free trade agreement with the United States and Canada is as yet assured. Many South American nations may still conclude that what they can secure in the 1990s from possible accession to NAFTA is not worth the uncertainty and the cost. For several South American nations it is not at all clear how best to relate to the United States: whether through closer integration or through greater autonomy and diversified relationships. The choice is especially difficult and important for Brazil—a country twice as large as Mexico, with six times the population of Argentina and 12 times that of Chile, yet with no nationally accepted sense of direction. Although Latin Americans are talking more about regional integration than they have in many years, their very different ways of fitting into the global economy make it hard to imagine rapid progress toward a meaningful hemisphere-wide accord.

There is greater convergence in the Americas, North and South, on political values and economic fundamentals than ever before, but a hemispheric political community is far from achievement. Agreement in principle within the OAS on collective measures to protect democracy, although a notable achievement, has been difficult to put into practice in Haiti and Peru amid disagreement about whether, how and for how long to impose sanctions. Although talk of dependency is no longer fashionable, resentment in Latin America about the stance and style of the United States lurks not far below the surface. The recalcitrant U.S. role at the Rio environmental summit, the Supreme Court's decision to let stand the U.S. government's seizure of a Mexican citizen in his own country in the Alvarez Machaín case, and the extraterritorial application of the Cuban trade embargo approved by Congress in the midst of the U.S. presidential campaign all brought this

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resentment to the fore during 1992.

In much of Latin America there is continuing wariness about possible U.S. interventionism—now no longer justified by anticommunism but motivated instead by human rights, democracy, drugs, environmental degradation or the proliferation of deadly weapons. The election of President Clinton and a Democratic majority in Congress, moreover, has accentuated concerns in some quarters about the prospect of rising U.S. protectionism and of deeper conflict on economic issues.

The Time of Cholera

LATIN AMERICA'S chances for sustaining economic and political advances depend in part on overcoming widespread poverty and vast inequalities, but these problems have actually been getting worse. According to U.N. statistics, 44 percent of Latin Americans live at poverty levels, three percent more than ten years ago. Some 180 million people survive without basic necessities, according to U.N. definitions; many of these subsist in extreme poverty, unable to maintain the minimum caloric intake required for human health.

After a decade of depression, austerity programs and structural adjustments, millions of Latin Americans who earlier thought they had made it to the middle class have been impoverished. Neo-liberal economic programs have provided benefits to a few, but in the short run they reduce wages and increase uncertainty for many. Although it has become unfashionable worldwide to talk about class struggle, the divisions in Latin America have become sharper. The region's top income groups have been further improving their living standards, while minimum wages in Latin America have declined by one-third in real value over the past decade. In Brazil, Peru and Ecuador, the wealthiest 20 percent of families today earn more than 30 times what the poorest 20 percent earn, compared with a differential of less than ten times in the United States.

For Latin America's poor, the 1990s are literally the time of cholera—and of tuberculosis, malaria and other infectious diseases. Millions of children wander Latin America's streets living from hand to mouth. Many turn to petty crime or the drug trade to survive. Those who are fortunate enough to finish secondary school or even go on to university are often finding thereafter that there is no decent employment available.

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In many Latin American countries the "social question" is reaching critical dimensions. Urban and rural violence is growing, and it is often brutally suppressed in ways that ultimately fuel its further spread. Pervasive social breakdown is reflected in such horrible practices as kidnapping for ransom and the sale or killing of children. These grim realities reflect—and in turn feed—a high degree of frustration and alienation, most painfully evident in Peru but palpable in many Latin American nations. Emigration is burgeoning, even from countries like Brazil where it has not previously occurred. Insurgent and millenarian movements are gaining strength, as are evangelical religious sects. All these conditions make for volatility, not for sure and steady progress.

Latin America's chances of successfully confronting its social agenda may depend significantly on the left. A political space now exists in many Latin American nations for a modern social democratic movement, one that accepts the democratic rules and the main tenets of modern economic doctrine but confronts the issues of equity that have been largely neglected thus far by most reigning technocrats. New programs are needed to make tax structures fairer and more enforceable; to improve education and health care; to provide adequate nutrition, prenatal programs and infant care; and to build better links between training and jobs. It is not yet clear, however, whether the Latin American left can forge effective new approaches, or whether it will instead remain defensive and quiescent, tied to old habits of thought and disoriented by the sway of neo-liberalism.

"Latin America's chances of successfully confronting its social agenda may depend significantly on the left."

Shared Challenges and Diverging Paths

WITH THE SETBACKS to democracy in Haiti, Venezuela and Peru, with Brazil's massive problems, and with incipient signs of trouble in Argentina and Mexico, there was growing speculation during 1992 that the bloom was already off Latin America's rose.

It is surely misleading to extrapolate from events in Haiti or

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Peru onto all of Latin America and the Caribbean; each is a unique case in important aspects. But it is equally wrong to project Chile as a model for how the whole region will evolve. The countries of Latin America and the Caribbean are not simply strung along on a spectrum, ineluctably going through the same stages of development. They are responding in different ways to a combination of shared challenges—such as those imposed by a changing world economy and by the Cold War's end—and distinct national circumstances. Their paths are diverging, and will probably diverge farther in the future.

Even without a free trade agreement, for instance, more than 70 percent of Mexico's trade is with the United States and more than six percent of Mexico's workforce is employed north of the Rio Grande, remitting at least $3 billion a year back to Mexico. A similar trend toward functional North American integration is evident in the Caribbean islands. U.S. airlines and telephone companies treat the Caribbean islands as if they were domestic markets, not foreign; it is hard to define the border between the mainland and the Caribbean in economic, social, demographic or political terms. But while Mexico, many Caribbean islands and parts of Central America have been integrating with the United States, Peru and to some extent Colombia have been disintegrating internally; Argentina and Brazil have been trying to nurture a subregional common market, Mercosur, with Uruguay and Paraguay; and Chile has been steadily diversifying its ties throughout the Americas, Asia and Europe. For many purposes, therefore, it is less sensible than ever to generalize about Latin America and the Caribbean.

Most Latin American and Caribbean countries today do share two difficult internal tensions, however. One is between the imperatives of political and economic liberalization, between the opening of democratic politics and of market economies. For reasons of national experience and ideology, people in the United States like to think of these processes as not only compatible but as necessarily related—as two sides of the same coin, united by the element of free choice. But in Latin America's circumstances, as in those of eastern and central Europe and east Asia, the claims from impatient electorates and the demands of economic elites are not easily reconciled. Careful management of this tension is needed, rather than mere ideological faith that the market's hidden hand will produce positive results. Mexico's National Solidarity Program

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provides a positive model; Venezuela's excessively technocratic reforms illustrate, conversely, how not to proceed.

A second important tension is between streamlining states and ridding them of excess functions and personnel, on the one hand, and strengthening their capacity to provide crucial public services and exert legitimate authority, on the other. In many Latin American countries, building effective state capacity—rather than further cutting back the state—is a central task for the 1990s. Without revived growth, however, it will be hard to mobilize the resources necessary to confront pressing problems.

It is by no means clear, in sum, whether and when all Latin American and Caribbean countries can turn the many corners that must be successfully negotiated to assure sustainable economic development and effective democratic governance. Although the region's prospects are much more promising than seemed possible only a few years ago, formidable obstacles remain. Euphoria about Latin America is as unjustified now as indiscriminate bearishness was five years ago.

Partnerships for Renewal

PRESIDENT CLINTON takes office at a decisive juncture in U.S.-Latin American relations. Latin America's promising but highly uneven and vulnerable transformations offer new opportunities to build western hemisphere cooperation, but internal troubles in the United States could obscure the potential for partnerships.

To recover and grow economically, nurture fragile democratic openings, confront domestic inequities and strengthen their capacity for inter-American cooperation, Latin American nations need alleviated debt burdens, expanded foreign investment, access to relevant technologies and open export markets in the industrial countries.

President Bush's Enterprise for the Americas Initiative in 1990—promising a reduction of Latin America's official debt owed to U.S. government agencies, offering aid to facilitate investment in the region's economic recovery, and holding out the prospect of free trade agreements—offered a positive if sketchy vision of how inter-American relations should evolve. It reflected the Bush administration's inchoate recognition that western hemisphere partnerships would be helpful to the United States when the Cold War competition is over, old

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alliances are breaking up, new international rivalries are intensifying, and global challenges to the environment, health, arms control and governance are taking center stage.

The Bush administration began to translate its vision into policy, but it did not get very far. It succeeded in getting a NAFTA text negotiated with Mexico and Canada and in submitting it for congressional approval on a "fast track" basis, but it did not adequately consider environmental and labor issues nor did it successfully persuade the American public of NAFTA's benefits. Moreover congressional appropriations for the proposed multilateral investment fund and authorization of debt reduction agreements were slow to materialize. Latin America's interest in prospective regional partnerships was aroused, but the United States under Bush was not able to deliver much.

The main reason for this shortfall was the domestic difficulties facing the United States. Proposals to reduce Latin America's debt, facilitate U.S. investment in the region or open U.S. markets cannot be implemented unless they are part and parcel of an overall strategy for restoring dynamism to the U.S. economy. Domestic U.S. interests—small business, organized labor, and particularly affected firms and communities—understandably oppose proposals to aid Latin America's development if they think that the region's prosperity will come at their own expense.

"As Latin American countries emerge from recession, the region has once again become the fastest growing market for U.S. exports, as it was in the 1970s."

Unless Clinton can persuade the American people of their strong self-interest in Latin America's growth and in hemispheric cooperation, the next few years will likely see a great deal of inter-American strife: over trade and protectionism, commodity prices, advanced technology, arms sales, population growth, immigration, narcotics and the environment. These frictions will surely intensify if the U.S. public—frustrated by its domestic difficulties—turns to approaches that are protectionist, restrictionist, punitive and interventionist. The public support generated in 1992 by presidential candidates Jerry Brown, Pat Buchanan and Ross Perot revealed a potential constituency for such approaches.

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Latin America's first significance for the United States is economic. As Latin American countries emerge from recession, the region has once again become the fastest growing market for U.S. exports, as it was in the 1970s. Latin America bought more than $65 billion of U.S. exports in 1992, more than Japan or Germany, and the rate of increase in U.S. exports to Latin America for the last two years has been three times as great as that for all other regions. Latin America's importance as an export market is all the greater at a time when U.S. dependence on trade has increased and regaining export competitiveness is a central U.S. aim. Investment opportunities for U.S. firms are also expanding, as prospects for recovery and enlarged markets make Latin America attractive and as investors realize that the region's combination of resources, infrastructure, an educated workforce and long experience with market economies make it a better bet than the former communist countries. Latin America also remains the source of nearly 30 percent of U.S. petroleum imports, and several U.S. money center banks still make a significant share of their income in the region.

Latin America's second importance is its effect on major problems facing American society. The most dramatic example is narcotics. Latin American countries supply almost all the cocaine, most of the marijuana and an increasing share of the heroin that enters the United States. Although the drug curse can ultimately be reduced only by cutting domestic demand, an effective anti-narcotics campaign will also require enduring cooperation from the Latin American nations where narcotics are cultivated, processed and trafficked. As the site of some of the world's largest rain forests and as leading destroyers of them during the past few years, Latin American countries are also central actors on environmental issues and crucial test cases of the prospects for sustainable development policies.

A third significance of Latin America today is as a prime arena—together with the former Soviet Union and the countries of eastern and central Europe—for the core U.S. values of democratic governance and free market economics. As both democracy and capitalism are severely challenged in the former communist countries, the worldwide appeal and credibility of these ideas may depend importantly on whether our nearest neighbors can make them work.

Perhaps most important, the burgeoning Latin American pressures for emigration create additional links between the

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emigrants' countries and the United States, and enlarge the U.S. stake in the region's social, economic and political conditions. Almost half of all legal immigrants to the United States came from Latin America and the Caribbean during the 1980s, together with more than half of undocumented entrants. Some ten percent of the U.S. population today are Latin American immigrants or their descendants; Latinos are the fastest growing population group in the United States. Latin Americans come to the United States no longer in isolated or intermittent waves, but in a sustained flow, blurring the borders between Latin and Anglo America, especially in Florida, Texas and southern California. Half of the babies born in Los Angeles County in the 1980s were of Latino descent, for instance, as are 63 percent of the students in the county's public schools. The line between "domestic" policy and "Latin American" policy is thus becoming harder to define as the regions of the New World become ever more interconnected. Instead of disappearing from Washington's map, Latin Americans are helping to redraw it.

If Latin America's advances of the past five years can be fortified and if cooperative inter-American programs can be built, the United States stands to gain expanded exports and other economic opportunities, some alleviation of immigration pressures, improved international cooperation to resolve key problems and a better prospect for the success of core U.S. values. Latin America's potential for partnerships with the United States is greater than ever.

The chances for positive U.S. policies to reinforce Latin American progress and thereby advance U.S. aims depend, however, on revitalizing the U.S. economy. The United States cannot successfully implement NAFTA or help build a wider hemispheric economic community if it does not at the same time rejuvenate its decaying infrastructure, upgrade its technology, enhance the skills of its workforce, retrain displaced workers, and assist uncompetitive industries and their communities to adjust to change. The American public will not support closer economic ties with Mexico or the rest of Latin America if the United States fails to confront its accumulated domestic agenda. A key question in the 1990s, in effect, is whether the United States itself is ready for inter-American partnership.

The United States will have a better chance of success in solving some of its domestic problems—and especially of creat-

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ing jobs and managing the rate and impact of immigration—if Latin America becomes more prosperous and inter-American cooperation works. "Intermestic" issues—involving both domestic and international aspects and actors—will be important for the United States in the 1990s. Domestic and foreign policy approaches must be pursued in tandem, not as alternatives.

The Clinton administration should underline how much the countries of the western hemisphere have in common as they prepare for a new century. People throughout the Americas, North and South, increasingly understand how important it is to protect the environment and safeguard public health. In every country there is recognition of the urgent need to alleviate poverty, reduce income inequality and other disparities, invest in children and restore hope to young adults. In each nation a central issue today is how to strengthen education and its links both to individual fulfillment and to national competitiveness. Throughout the western hemisphere, people are deeply concerned about making democracy work—by connecting institutions to people and ensuring accountability.

The time has come in the Americas to build regional partnerships for renewal in order to confront this common agenda. Latin America's encouraging advances make such partnerships possible. The shared and difficult challenges now facing all Americans, North and South, make them advisable. The Clinton administration's initial emphasis on the economy, competiveness, adjustment and trade makes them urgent.

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RETREAT FROM AFRICA

Marguerite Michaels

Continent's Momentum for Change Stalls

THE WINDS of change that blew across Africa at the end of the Cold War have stalled. Economic reforms that promised to bring back foreign capital investment have thus far only deepened Africa's dependency on foreign aid. The pace of political transition that saw no less than nine leaders toppled by gun or ballot in the nine months following the fall of 1990 has slowed to a crawl, as many incumbent regimes have managed to maintain military control while outmaneuvering splintered oppositions.

But the greatest failure of reform—both economic and political—may be that it is overwhelmingly urban, while Africa is not. Structural adjustment programs have succeeded in getting import prices "right," but fertilizer, for instance, is now beyond the reach of the average farmer. In most countries the creation of new political parties has not directly involved those outside the existing urban political class and has neglected the majority rural poor. Moreover, many of the most prominent new-breed politicians are simply refashioned opportunists of Cold War vintage. Thus while a majority of the one-party systems that dominated Africa's landscape since independence have collapsed under a combination of internal and external economic and political pressures, the narrow concentration of power within most states remains unchanged.

It is becoming all too apparent that political freedom will not address Africa's appalling economic condition. In many countries, in fact, the result is just the opposite: the civil disorder accompanying political reform has only reduced foreign capital inflows and racked the rural poor. A nightmare scenario may be building: a two-tiered Africa where existing political and economic elites reintegrate with the global economy via Western-sponsored "reform," while increasingly isolated rural populations are integrated internationally as perpetual recipients of humanitarian aid.

Marguerite Michaels, Nairobi Bureau Chief of *Time* magazine, is the Edward R. Murrow Fellow at the Council on Foreign Relations.

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Declining American Interest

THE UNITED States has been retreating from Job's continent since the implosion of the Soviet Union set America free to pursue its own interests in Africa—and it found it did not have any.

In the last six months the State Department's bureau of African Affairs has lost 70 posts, a nine-percent cut. Consulates in Kenya, Cameroon and Nigeria are to be closed, and perhaps also the U.S. embassy in the Comoros Islands—bodies and budgets are needed in eastern Europe and the Commonwealth of Independent States. Over the last three years the Africa desk for the U.S. Agency for International Development has lost 30 to 40 staffers out of 130 for the same reason. USAID has already phased out missions in five countries, and this fiscal year it will phase out three more. The National Security Council's bureau of African affairs has gone through six directors in the last four years.

With the end of the Cold War, the U.S. strategic interest in Africa is minimal. But now the old pretext for intervention—the global containment of communism—may be replaced with a new one—global humanitarianism. Somalia is a case in point, and it fits the pattern of U.S. policy toward the continent even during the Cold War: neglect, benign or otherwise, or hyperintervention.

But Operation Restore Hope, aimed to feed starving Somalis, is likely to have greater impact in the global policy arena than on U.S. policy in Africa. If it sets any U.S. policy precedent, it may only be one of forcing unfortunate choices on Washington. Alongside growing pressures in other African countries afflicted by the suffering that comes from internal political upheaval—like that in Sudan, Liberia, Angola or Zaïre—policymakers will have to decide which countries to help, why and with what funds. Emergency aid on a grander scale may only soak up the little money earmarked for encouraging the growth of the pluralistic and free market institutions that should be helping Africans preempt future Somalias.

"Foreign policy is resource driven," as some at the State Department like to say. And over the past two years, the word handed down in Washington has been simple: don't ask anything for Africa that costs money. The irony—and the danger—of Somalia quickly becomes obvious: Operation Restore Hope is costing money—a lot of money—into the billions of

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dollars. Even before the marines landed State Department officials admitted that money earmarked for Somalia was already "nicking" continent-wide development funds.

It is not likely that anything will prevent Africa from continuing its slide down Washington's foreign policy agenda, notwithstanding all the attention given U.S. intervention in Somalia or even intervention in future cases that may call for massive and immediate humanitarian assistance. Africa is simply not commanding the kind of attention in the new world order to keep it from dissolving into new world disorder.

Africa's Litany of Misery

"GLOBAL ECONOMY" is the foreign policy king, and there has been no economic rationale for dealing with sub-Saharan Africa, especially since the continent began its freefall in the 1980s.

Africa was never a magnet for U.S. exports or investment. But U.S. economic sanctions against South Africa, the collapse of oil prices and the "lost decade" that ravaged much of the continent in the 1980s forced economic ties to decline even further. In 1983, for example, Africa received 2.2 percent of total U.S. exports, and it sent 4.1 percent of total U.S. imports. Only five years later, however, American exports to Africa were a mere 1.2 percent, and U.S. imports were halved. The continent's already meager seven percent share of the world's non-oil primary products fell to a paltry four percent in the period between 1970 and 1985.

Direct U.S. investment in sub-Saharan Africa—0.46 percent of the U.S. total abroad in 1990—has also fallen as the rate of return on investment in the continent slides. Africa's generally deteriorating infrastructure and communications links, poorly skilled workers and dearth of credit and foreign exchange have devastated the rate of return on foreign investment, forcing it down from 30.7 percent in the 1960s to just 2.5 percent in the 1980s. The addition of political instability may now drive off what little Western and African capital has not already fled the continent over the last decade.

The litany of statistics that marks the continent's declining living standard is staggering. Africa's economic growth rate is 1.5 percent—the world's lowest—and it claims 32 of the bottom 40 countries on the U.N. annual development index, a measure of comparative economic and political progress. Food

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production is 20 percent lower now than it was in 1970, when the population was half the size. Only 37 percent of sub-Saharan Africans have clean drinking water; there is one doctor for every 24,500 people; illiteracy rates are as high as 80 percent in some countries. Population, meanwhile, continues to grow at a rate of 3.2 percent annually versus 2.1 percent for Latin America and 1.8 percent for Asia. The average life expectancy is 51 years, 12 fewer than for Indians or Chinese.

"Food production is 20 percent lower now than it was in 1970, when the population was half the size."

AIDS continues to ravage the continent. Of the world's 12 million HIV-infected adults, nearly 8 million are Africans—and these figures represent only the first wave. The 1992 drought in southern Africa, the worst this century, has decimated livestock herds in nine countries and sent millions wandering in search of food. Half the world's refugees are African, most of them fleeing drought or civil war or both.

Many Political Transitions Bog Down

U.S. INTEREST and international capital were not all that retreated from Africa this year. Movement toward democracy itself was rolled back in many African states. Incipient instability, outright civil war and the maneuvering of long-entrenched political and military interests overtook much of the momentum toward political change that was sweeping across the continent only two years ago. Three-fourths of sub-Saharan Africa's 47 countries remain in some sort of political transition. For many states, however, free choice has been deferred. And for some, the delay could well be indefinite.

In 1992 Togo's President General Gnassingbe Eyadema finally managed to stop cold any move toward multiparty politics. He accused the transition government of favoring the south over the north, thus fomenting civil war and forcing a restoration of his full presidential powers, which had been substantially pared down by a 1991 political conference. None in Togo believe that he is now going to use those powers to run an honest election.

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After losing Angola's democratic election in September, former UNITA guerrilla leader Jonas Savimbi took up arms again at year's end, refusing to accept his defeat at U.N.-monitored polls. President Paul Biya was reelected in Cameroon, but international observers say the vote was rigged. Kenya's long-reigning Daniel arap Moi finally went kicking and screaming to the polls in late December, accused along the way of fomenting rural tribal violence and raping many state-owned assets to pay for votes. With his opposition split into three parts, Moi won reelection with only 36.7 percent of the vote, and he will have to contend with strong opposition in the newly elected parliament.

Nigeria's "new breed" politicians—up to old tricks like vote-rigging and vote-buying—forced President Ibrahim Babangida to cancel the presidential primary results, putting off the transition from military to civilian rule until at least August 1993. Elsewhere, the military also threatened to intervene to restore order amid troubled transitions in Zaïre, Niger and the Congo. Liberia restarted its three-year-old civil war; Ethiopia's ethnically based democratic experiment began to unravel with regional elections marred by violence; and Sudan's fundamentalist Islamic government has reportedly decided to resort to genocide to solve problems with its animist-Christian south.

There were but a few bright spots. Mali completed its transition to civilian rule with a much-praised multiparty election, and Mozambique finally brokered an end to its 16-year civil war. In November, one year after a successful democratic presidential election, Zambia held local government elections as scheduled. But in a stark example of the disaffection of Africa's rural population, less than 20 percent of Zambia's three million registered voters even bothered to show at the polls.

Politics of Economic Disintegration

THE JURY is still out on whether a good economy comes before a good democracy or vice versa. But Africa demonstrates the difficulties of trying to achieve both together. Political reform has destabilized governments, and stable government is an absolute necessity for enacting economic reform and attracting foreign capital. France made it clear this year in several West African countries that democracy is relative and that Paris would not promote chaos over sta-

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bility. The British seemed to prefer stability as well. U.S. Ambassador Smith Hempstone's relentless three-year drive for multiparty democracy in Kenya had British diplomats irate over its "naivete" and fearful that the election-driven violence would jeopardize millions of pound sterling invested in coffee and tea estates. Washington believes that African economies, hobbled by corruption, can only work if subjected to democratic checks and balances.

Over the last three years the United States has given much lip service and some $800 million a year to African countries undertaking democratic and free market reforms, but most of the real assistance has been left to multilateral organizations. The biggest player by far is the World Bank. It puts in 20 percent of all multilateral funding, writes 80 percent of the new rules—called "conditionalities"—and controls nearly all data coming out of Africa.

Thirty-three countries have adopted what has long been perhaps the West's most controversial policy in Africa: the economic reform packages of the International Monetary Fund and the World Bank. Friends of these "structural adjustment programs" deem them "necessary medicine," "a way out of marginalization" or "good discipline." But critics are far less sanguine, alternately referring to the often draconian mix of currency devaluation, price-subsidy elimination and fiscal austerity as "enslavement by the north of the south" or "an overdraft for bankrupt economies."

The structural adjustment programs are now more than a decade old, which is unfortunate, since they were supposed to have died victorious by age six. Their record remains mixed. What they have achieved is breaking the protective membrane that the kleptocratic oligarchy grew around itself in so many African countries. What they have not achieved is any meaningful growth in private investment.

Lack of infrastructure has long been a problem that discouraged capital investment in Africa. And even stable African governments continue to be a problem as well, often changing the economic rules of the game to suit their whim. Yet the most devastating condition spooking direct foreign investment, as well as repatriation of Africa's own flight capital, is the continent's accelerating instability—fueled by the social hardships exacerbated by the structural adjustment programs and mounting tensions surrounding political transitions. These ever-broader gyrations of Africa's already wobbly political

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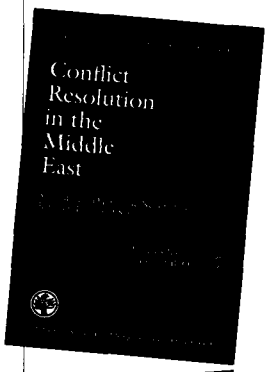

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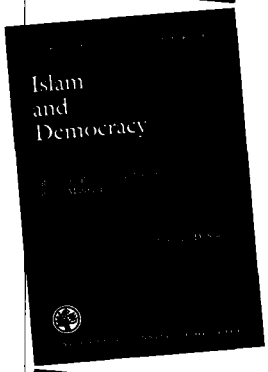

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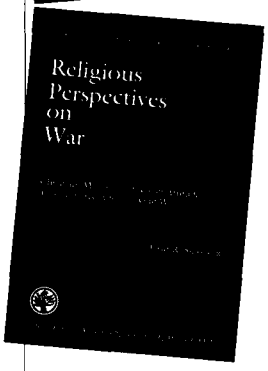

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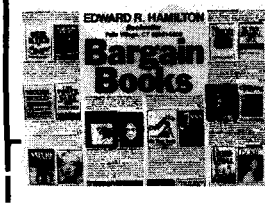

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structures have destroyed what little remains of a viable business climate on the continent.

The result is a sharply declining GDP per capita across sub-Saharan Africa, as economic production is unable to keep ahead of population growth. Moreover, by 1991 sub-Saharan external debt had risen to $178 billion, while the ability to pay that debt continues to decline. Returns from exports—the vast majority being primary commodities—dropped by $50 billion, despite average 2.5 percent yearly increases in export volume. Since the World Bank has been busy improving agricultural infrastructure for export crops all over the southern part of the globe, it must get some credit for plummeting commodity prices. Economists are now urging the bank to reduce aid given to rehabilitating commodities and extracting minerals in favor of funding better mixed economies.

"...ever-broader gyrations of Africa's already wobbly political structures have destroyed what little remains of a viable business climate..."

Bank officials have admitted for years that reform is moving more slowly in Africa than anyone expected and, frankly, they are growing tired of apologizing for it. "We're a bank. Aid is a game for losers," one exasperated bank staffer explained. "You need private investment and a net repatriation of flight capital. We've seen some increased investment and a net repatriation of $300 million. The sails are tightened but there's no wind. There's a global recession."

Studies of Frustrated Reform

ZAMBIA AND GHANA are two striking examples of the kinds of contradiction and hardship that have accompanied African efforts at economic and political reform.

Zambian President Frederick Chiluba, voted into office at the end of 1991 in a model multipary election, spent 1992 trying to run a democratic government according to the dictates of structural adjustment—with an incredibly devalued local currency and scarce foreign exchange. In his first nine months in office the country was rocked by a record 56 strikes by workers demanding that his government resign because of

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increasing privation. Since November 1991 the price of Zambia's food staple maize meal has risen 1,000 percent; wages are down an average 30 percent. Yet Chiluba's government plans to press ahead with cutting 50,000 civil servant jobs, much to the chagrin of the labor union movement Chiluba used to lead. Crime is now rampant on the streets of the capital city, Lusaka.

Ghana, for years the World Bank's star pupil, realized real GDP growth averaging 3.8 percent annually from 1983-90—a record blunted by Ghana's population growth of 3.1 percent a year. The country's minerals and forestry sectors have grown, as timber exports rose to $99 million by 1988, from $16 million in 1983. Yet Ghana's tropical forest is now just 25 percent of its original size. Since 75 percent of Ghanaians depend on wild game to supplement their diet, its stark depletion has led to sharp increases in malnutrition and disease.

Ghana failed to promote food security through appropriate measures to raise productivity, yield and storage. As a result the nation's food self-sufficiency declined steadily through the 1980s. The performance of food and livestock sectors—on which many Ghanaians still depend—has been negative on balance. And land holdings and agricultural export earnings have become concentrated in fewer hands, especially in the cocoa sector. About 46 percent of all agricultural expenditures in the late 1980s were invested in cocoa, nearly doubling its export. The economic strategy was so successful, in fact, that the value of cocoa itself has been falling since 1987, mainly due to a glutted world market.

Ghana's manufacturing sector, meanwhile, was left to decline, and as Ghana increasingly becomes a "buying and selling" economy the only real growth is in the service sector. Its transportation, wholesale and retail sub-sectors now account for 42.5 percent of GDP, which generates little in the way of foreign exchange. After nine years of structural adjustment, Ghana's total external debt has nearly quadrupled to almost $4.2 billion.

There exists much dissent within the World Bank on the strategies of structural adjustment. Africa has become a research lab for economic reform experimentation—much of it dictated by the terms of international lenders—and the continent is increasingly worse for the wear.

One bank staffer explained the capricious history of bank strategy in Africa this way: "In the sixties the word was infra-

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structure; in the seventies the word was poverty alleviation, but we used the infrastructure approach anyway.... In the eighties we moved to adjustment. World Bank people are macroeconomists. They know about trade, exchange rates, export and import. They are uncomfortable with technological development and manufacturing. So the operation was a success but the patient died."

Contradictions of Structural Adjustment

THE ROOT PROBLEM with the bank has been a powerful combination of arrogance, ignorance and absolute, unchecked power. If a country loses the bank's imprimatur, it loses aid from most Western donors too. African economists are rarely invited to help design bank policies. Only international environmental groups have made serious inroads toward a more consultative stance on the bank's part.

There also exist some neon bright contradictions between what the bank says it wants and how it goes about getting it. If the goal in Africa is to create viable economic partners able to perform in the global economy, then it should be noted that structural adjustment is weakening an African middle class already thinned by AIDS, political exile and forced emigration. The reason is simple privation: after currency devaluation a Harvard-educated professor working at Tanzania's University of dar es Salaam earns $100 a month. There has always been a brain-drain in Africa, but it has recently increased fourfold. While one condition of structural adjustment is curtailed government corruption, the programs have increased corruption throughout societies forced to connive by all manner of means—legal and illegal—simply to make ends meet.

"...privatization in Africa may best be described as the sale of companies no one owns, no one knows the value of and no one has any money to buy."

The bank wants a healthy private sector, but its charter does not allow it to work there directly. "The only way we can get at the private sector," says one bank official, "is to get gov-

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ernment out of it." Under pressure to stop the hemorrhaging of poorly run national holdings, governments are told to divest. But privatization in Africa may best be described as the sale of companies no one owns, no one knows the value of and no one has any money to buy. It has focused more on medium-sized product and service enterprises and less on the large-scale public utilities and heavy manufacturers normally associated with the same process elsewhere. It is, in fact, more liquidation than privatization—not the offering of companies on stock exchanges (of which there are few in Africa) but fire-sales to those few—many of them foreigners—still willing to buy.

The wholesale forfeit of African national enterprises has quickly become an issue. When President Yoweri Museveni announced he was privatizing Uganda's entire economy, he was accused by irate Ugandan businessmen of selling domestic assets at undervalued prices to foreigners. Coming at a time when structural adjustment has forced layoffs of 10,000 civil service and private sector workers, many Ugandans believe privatization will only exacerbate unemployment further. Museveni has dismissed all complaints thus far as carping from "unpatriotic and backward bureaucrats." Zambian President Chiluba is privatizing much less, but he has also been attacked by disgruntled businessmen claiming that too much has already been sold to white South Africans fleeing an uncertain political future at home.

NGOs: Kindness that Cripples?

ALONG WITH PRIVATIZATION, the World Bank's link to the private sector is nongovernmental organizations—voluntary, nonprofit groups like CARE, International Committee of the Red Cross, Catholic Relief Services, World Vision, Medecins Sans Frontieres and World Wildlife Fund. Since 1989 the number of international NGOs registered with the United Nations has jumped from 48 to more than 1,300. There is growing recognition worldwide, according to the World Bank, that the public sector is limited in what it can do to promote economic development and to solve social and environmental problems, and that "as societies come to terms with these limitations, many look to citizens' organizations and nonprofit groups to assume a greater role."

The bank deals mainly with its member governments and

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seldom funds NGOs directly. But it encourages governments to work with NGOs on development projects because they can reach the poor in the most remote rural areas more effectively than public sector agencies. From 1973–88 NGOs were involved in about 15 bank projects a year. By 1990 that number jumped to 89, or 40 percent of all new projects approved. There are strains, however, between the NGOs and the World Bank and strains within the NGO community itself.

USAID welcomes the NGOs' warm bodies and funnels 20 percent of government money through them. The NGOs, meanwhile, are well aware that budgets 60 percent fat with government funds compromise their independence and effectiveness, all too often making them pawns in everybody else's policy games. But without the infusion of public money, they say, they could not survive at all. The World Bank uses the NGO health care and education projects to put a human face on structural adjustment, but alternately accuses them of "destroying as much as they build" by subsidizing showcase operations, not sustainable development.

As the number of Western-based nongovernmental organizations working in Africa has grown dramatically since the West African famine of the mid-1970s, so too has the criticism that they are competing with and often stifling the African civil societies they are purportedly supporting. Suspicion is too often the prevailing attitude of indigenous NGOs—church groups and women's associations, for instance—toward their Western counterparts. NGOs with budgets and staffs bloated from running emergency relief operations are increasingly loath to trim down for finer-tuned development projects. Bureaucratic, conservative administrators at headquarters often block the projects of more progressive field workers and too often kowtow to African government demands for inappropriate projects in order to remain in the country. NGOs do not always bother with what is appropriate, operating with no real connection to each other or to the country's economic needs.

NGO executives say they would like to be able to look to U.N. development organizations for direction, capacity, competence and resources, but these are not often forthcoming. The United Nations admits to rife staffing problems due to excessive politicization of appointments. Organizationally U.N. development bodies—FAO, UNICEF, WFP, UNDP, etc.—resemble a series of distinct parallel tubes, each reporting nominally to

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the Secretary General. That this does not facilitate coordination, much less direction, is clear. What it does facilitate is bad blood and competition between the agencies. The United Nations says it understands this problem and has responded accordingly; an Ad Hoc Working Group on Enhancing International Cooperation for Development is due to report in February 1993 and it is hoped that one suggested enhancement might be "untubing" the various agencies and organizing them according to region.

Outside the area of conflict resolution, the United Nations' most useful role may be in coordinating disaster relief. Indeed the United Nations has recently created the permanent post of Under Secretary General for Humanitarian Affairs. But a new post does not a policy make. U.N. workers fled the fighting in Somalia when President Siad Barre fell in January 1991. They stayed away for most of two years, while the NGOs fell farther and farther behind trying to deliver food and medical services to a population increasingly at risk.

By the time the United Nations was finally shamed into doing something in Somalia it found no one to do it with: the government had disintegrated. U.N. dealings with warlords, so that Somali sovereignty would not be breached, caused months more delay. It is telling that the United Nations brought in the head of an NGO, Philip Johnston of CARE, to coordinate its 100-day plan to deliver relief to Somalia. By the end of the year a nearly paralyzed United Nations had little choice but to endorse an invasion by U.S. Marines.

Combating Incipient Recolonization

FRUSTRATION has led more than one policymaker to quip that what really needs to be done is to fence off Africa, regionalize its various economies and oversee its government structures for the next fifty years. The situation is so dire that one American diplomat said, "In five years Africans will be begging to be recolonized." But Africans of course feel that they already are—recolonized under the yoke of structural adjustment programs imposed without consultation and under the guise of democracy that is "sold" to every country as if it were Coca Cola, the same formula to be drunk by all.

What ails Africa is that its governments, reformed and unreformed alike, remain bankrupt facades, relating more to donor largesse than to the poverty of their own populations.

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Economic and political reform will be pursued—in fact it would be nearly impossible to stop it. But what the continent needs to survive in the real world—a world without unending foreign aid—is a money-making private sector buttressing a more efficient public sector. And what the private sector needs is security, infrastructure and skilled manpower—as quickly as possible.

There is already enough aid money for Africa. It needs foremost to be refocused and redistributed. The bureaucracies that administer Africa, beginning with African governments themselves, need to decentralize. In what may prove to be an era of permanently reduced budgets, headquarters staffs at USAID, the various U.N. and NGO development agencies as well as the World Bank should be cut dramatically in favor of funding, not more well-meaning volunteers or expatriate managers, but a corps of technicians to work with Africa's community institutions and rapidly emerging civil societies perfectly capable of defining their own needs. An interesting step in this direction is a recently funded UNDP project called the Voluntary Technical Assistance Program. Expatriate Sierra Leone professionals will be sponsored to serve as consultants and temporary technical support for the country's various government ministries, state agencies, universities and social services. UNDP has funded similar programs in China, India, Pakistan and Poland.

"The situation is so dire that one American diplomat said, 'In five years Africans will be begging to be recolonized.'"

African governments need resources to revitalize their own political and economic regional organizations like the Organization for African Unity, the West African Economic Community, the East African Preferential Trade Area and the Southern African Development Community. Larger markets and greater commerce among African entrepreneurs will not only afford populations greater prosperity but also help foster internal and interstate peace.

Economists increasingly view Africa's external debt as something that can be—and has been—managed with some cancellation and rescheduling. Only 12 African countries have serviced their debt continuously since 1980. A more common

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example is the case of Ethiopia, which recently had half its debt forgiven and got a six-year grace period on the rest.

USAID uses progress in economic and political reform to decide where aid money will go. But care must be taken. Cutting off governments is one thing; cutting off entire populations is another. No African country survives alone: if economic or political turmoil rips apart Angola, Zambia suffers too. USAID has proven it knows how to support those parts of Africa's population that can make a difference; South Africa already gets the largest chunk of sub-Saharan African aid—some $80 million distributed among nongovernmental agencies that provide social services, housing and education.

Africa's Own Engines for Growth

A POLITICALLY STABLE and economically prosperous post-apartheid South Africa is unquestionably Africa's most promising long-term hope for renewal. South Africa's $80 billion GDP is three times that of its ten immediate neighbors combined. The region's economic powerhouse produces 80 percent of southern Africa's exports and takes in half its imports. South Africa has already received requests from several African countries for engineering teams to revitalize moribund industries like mining. And it trades with every other African state—yet those exports account for a mere seven percent of the South African total.

The West has finally managed to convince South Africa that it is indeed part of Africa. North Africa does not need convincing, and another helpful step toward improving U.S. policy would be to place that region back in the State Department's African affairs bureau where it belongs. Egyptian officials, for example, have already expressed interest in working with South Africa to develop the continent's midsection. And the South African government itself has designed a kind of "Marshall Plan" that bases the continent's recovery on a nexus of four economic engines: South Africa, Nigeria, Egypt and Kenya.

The political ice separating Pretoria and other sub-Saharan capitals is broken, as evidenced by unprecedented levels of cooperation in combating southern Africa's drought and by F.W. de Klerk's first-ever visit to Nigeria by a South African president. Moreover, the cessation of conflicts in Namibia and Mozambique may now help alleviate certain tensions that

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arose from Pretoria's hegemonic meddling. The intimidating size of South Africa's economy may nonetheless continue to make neighbors wary of closer cooperation. But in the end economic revival and, for many governments, political survival will greatly depend on expanded regional trade, investment and commerce.

Developing Africa's own economic links will require a sound South African economy. But the arduous task of dismantling white-minority rule continues to hold economic growth at bay—1992 marked South Africa's third straight year of recession. South Africans themselves well understand the stakes. President de Klerk gambled on a whites-only referendum in 1992 for his political reforms, and the payoff came in record numbers casting overwhelming support for black power-sharing. De Klerk has proposed that all-inclusive legislative elections be held by April 1994, but warned that continuing violence might make that timetable "irrelevant."

Fighting in parts of the country among rival black political factions now verges on civil war. Forces within Pretoria's own state security apparatus that conspired to sabotage the political transition and foment violence further set back opposition relations with the white government. And civilian massacres stalled negotiations over constitutional reform. Accelerating instability, escalating violence and continuing economic stagnation would not only harm South Africa but also dash hopes that it might lead the continent out of economic malaise. The sooner Pretoria can free itself from the rigors of its internal preoccupations, the better the prospects for all.

What Remains for U.S. Policy

IT HAS BEEN NOTED that the United States would perhaps do more, and better, in Africa if there were greater constituency pressures prodding Washington policymakers. African Americans have begun giving more attention and money to the continent of their roots, but many will remain preoccupied by struggles for dignity and equality at home. Constituency pressures are not something Africa can depend on. U.S. troops will withdraw from Somalia with the end of Operation Restore Hope, and U.S. policy will most likely pick up a retreat all its own.

Declining American interests will continue to sap budgets and, with less money to go around, policymakers will face

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increasingly stark choices. Greater direct support for Africa's own emerging civil institutions, from rural community groups to urban civic organizations—even at the risk of circumventing and alienating excessively bureaucratic and corrupt regimes—might by necessity effect the most good for the most Africans and help alleviate budgetary strains. Africa does not need more aid money. Africans need more respect.

Avoiding aggravating the problems that Africans will be left to face for themselves is the least that policy can do. Western-driven political and economic conditionalities should be modified. The World Bank, for instance, has already reconsidered privatization as a viable option for many state-run firms in Africa. There is a new concentration on making them more responsive to market forces while keeping them in the public sector. Pressure for multiparty democracy should be replaced by support for good governance and accountability in whatever form of government Africans choose. As the burdens of addressing Africa's problems are rightfully shifted to Africans themselves, absolute neglect or haphazard retreat will only force other impulsive, if well-intended, interventions, which will prove more costly and divert scarce resources, leaving the continent worse off in the long term. Somalia would best serve as a marker to a set course for a more prudent policy that seeks to avert future tragedy rather than as an example of grand missions that cannot be sustained.

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DEBACLE IN SOMALIA

Jeffrey Clark

Famine: A Collective International Failure

THE DRAMA of large-scale military intervention and the media's fixation on looters and "warlords" now threaten to obscure the fact that, prior to late 1992, the international response to Somalia's long agony was indeed abject failure. Inadequate and halfhearted multilateral measures contributed significantly to the very circumstances of anarchy, violence and starvation now being addressed—by necessity—by 31,000 U.S. Marines and combined international military forces.

Operation Restore Hope is likely to prevent marauding bandits from stealing relief supplies and to be viewed, in the near term at least, as a successful demonstration of the American commitment to humanitarian principles—at acceptable risk and cost. But worst of all the intervention exposes the acute dangers inherent in the collective failure to restructure international humanitarian assistance policies and multilateral relief and political organizations to meet the realities of the post-Cold War world.

Neither the operational responses of U.N. relief agencies nor the conflict-mediation efforts of U.N. diplomats were undertaken with visible professionalism. Various U.N. officials and others exaggerated security concerns early in the Somali crisis in order to excuse their own scant presence and deeply flawed performance, factors which in turn contributed to real levels of violence by mid-1992. Until shamed into action by U.N. Secretary General Boutros Boutros-Ghali, the Security Council's early response to indicators of Somalia's approaching tragedy was virtual inertia, and Washington's own initial stance was strangely passive when contrasted with the sudden and forceful U.S. measures taken by year's end.

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The unvarnished history of the U.N. role in Somalia is one of tragic missed opportunities and strategic and operational blunders not justified by the situation's realities. Donor and African governments did little better. Nearly 350,000 Somalis have already died, and starvation has ravaged 75 percent of children under five years of age in the country's most afflicted regions—amounting to the loss of a generation. Such harsh realities demand stern and sober judgments of accountability and the candid appraisal of international systems in need of drastic renovation.

The ultimate success of international intervention will now largely be determined by whether the United Nations, the United States and other governments can seize new opportunities both to structure national reconciliation in Somalia and to forge a more coherent and forceful U.N. presence. Neither objective was achieved, nor even credibly attempted, prior to 1992's genuinely unprecedented American-led military relief operation.

The Road to Debacle

THE CHIEF PERPETRATORS of Somalia's misery are, of course, Somali. It is a fractured country long molded by a culture of decentralization, where the basis for all political and societal structure is genealogy. The foundation of order in Somali society—the authority of clan elders—has today been undermined by the prevalence of modern weapons, the most significant legacy of superpower involvement during the Cold War.

After British and Italian colonies merged in 1960 to form an independent state, relative democracy survived in Somalia until Major General Mohammed Siad Barre seized power in 1969. Siad Barre's concerted efforts to erode the clan system—in favor of "scientific socialism"—and to fashion a Soviet alliance led to an enormous influx of advanced weaponry and military advisers that greatly contributed to undermining the nation's stability.

In 1974 when Emperor Haile Selassie fell in neighboring Ethiopia, the subsequent turmoil and intensifying Eritrean war weakened Ethiopia's grip on the Ogaden, a border region largely populated by Somalis. An Ogadeni guerrilla campaign to drive out the Ethiopian army led to full-scale war between the two nations and, alongside shifting ideological alliances, a

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superpower swap on the Horn of Africa. Ethiopia's long-standing relationship with the United States was ruptured as the new government of Lt. Col. Mengistu Haile-Mariam embraced Marxism; the Soviets in turn abandoned Siad Barre and rushed military advisers and equipment to Ethiopia instead. The Soviet exit set the stage for the first significant American involvement in Somalia—a modest amount of defensive weapons to check potential Ethiopian reprisals. But U.S. military aid to Siad Barre would eventually total over $200 million, and economic assistance would exceed $500 million.

Soviet support enabled Mengistu to crush Somali aggression, humiliate Siad Barre and send half a million refugees and guerrillas back across the Somali border, many carrying the next wave of modern weapons in a rising tide. The Ogaden disaster would unleash serious domestic discontent against Siad Barre's increasingly brutal and discriminatory regime, leading to a 1978 coup attempt and the formation in 1981 of the Somali National Movement among northern Isaaq clans. The SNM soon began raiding government facilities, and in turn Siad Barre's repression of the Isaaqs intensified.

By 1988 Siad Barre's fragile grip on Somalia was paralleled by Mengistu's own desperate attempts to keep the upper hand in a series of civil wars in Ethiopia. The two despots predictably struck a deal, abandoning support for insurgent groups waging war from their respective territories. Fearing forced isolation from border areas or outright expulsion, the SNM reentered northern Somalia en masse, initially overwhelming Siad Barre's forces.

Siad Barre's retribution was to raze the Isaaq's regional capital, Hargeisa, killing thousands of civilians and pushing hundreds of thousands (along with the SNM) fleeing back to Ethiopia.[1] Siad Barre's demonstrated weakness, however, had encouraged other clans to take up arms, with the United Somali Congress (USC) forming in 1989 as the strife moved farther south. Increasing military and political coordination among his many enemies eventually eroded Siad Barre's power. In a final desperate act, the president turned his army loose on Hawiye sections of Mogadishu, destroying much infrastructure and provoking a violent uprising.

[1]For a critique of an earlier U.N. failure to meet its obligations to suffering Somalis, see Jeffrey Clark, "Hell on Earth: A Trip to Dar Anagi," *World Refugee Survey*, the U.S. Committee for Refugees, April 1992.

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Siad Barre finally fled Mogadishu in January 1991, and the despot's absence split USC forces. Troops commanded by General Mohamed Farah Aideed gave chase to Siad Barre, while others under control of Ali Mahdi Mohamed, a wealthy Mogadishu businessman, remained in the capital and declared themselves the new government. In the north, the Isaaq clans formed an independent Somaliland Republic, a state still unrecognized internationally.

There has been no functioning government in Somalia since. Both Mengistu's and Siad Barre's crumbling armies and abandoned arsenals flooded Somalia with an unprecedented number of guns and advanced weapons, prompting the widespread looting that so effectively hindered international relief operations. Ali Mahdi's claims to power were unheeded beyond his own followers, who now control only northern sections of Mogadishu. Various clan militias turned on one another, effectively dividing the country into 12 zones of control. By November 1991 the struggle between Aideed and Ali Mahdi escalated to full-scale civil war, which was finally ended by a U.N.-brokered ceasefire on March 3, 1992. Concurrently lingering drought forced increasing numbers of Somalis from their land in a futile search for food, exposing them more directly to violence.

Ethiopia to Somalia: The Lessons of Failure

THE CONSEQUENCES of Somalia's mayhem were described—as long as a year ago—as "the greatest humanitarian emergency in the world."[2] Yet the mechanisms designed to provide international humanitarian assistance grossly failed the Somalis. Relief that could have reached many was not delivered, not just because of looting, but because Somalia fell through the cracks of the international system. As Somalia's famine developed over several years, Security Council members and U.N. officials, distracted by a series of crises around the globe, ignored clear signs of impending disaster. No longer a strategic flashpoint with the end of the Cold War, Somalia simply could not garner the political attention required for the scale of sustained and complex humanitarian assistance it needed to avert catastrophe.

[2]Statement by Andrew Natsios, Assistant Administrator for Food and Humanitarian Assistance, U.S. Agency for International Development, before the House Select Committee on Hunger, Jan. 30, 1992.

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By some measures the Somali tragedy is even greater than the 1984–85 Ethiopian famine—considered a benchmark for human suffering—in which nearly one million people died. Ethiopia has eight times Somalia's population, and its famine was somewhat limited geographically. In contrast, the International Committee of the Red Cross estimates that 95 percent of Somalis suffer malnutrition—and that perhaps as many as 70 percent endure severe malnutrition. September 1992 ICRC estimates indicated that 1.5 million Somalis faced imminent starvation, and three times that number were already dependent on external food assistance. Well over 900,000 Somali refugees have fled to squalid relief camps in Ethiopia, Kenya, Djibouti and Yemen, and another 150,000 Somalis went to Saudi Arabia.

Yet the extent of the international failure in Somalia is more difficult to explain given the relatively long history of humanitarian intervention in the region. There is all too much experience in the Horn of Africa in confronting massive dislocations of people fleeing dictators, famine and civil conflict. A series of "special representatives" from the U.N. secretary general has long acted as powerful coordinators of external relief in Ethiopia and the Sudan, and billions of dollars have already been spent on relief operations.

"Relief that could have reached many was not delivered... because Somalia fell through the cracks of the international system."

The 1984–85 Ethiopian famine fueled recriminations that the United Nations, the United States and other donor governments (not to mention Ethiopia itself) were slow to respond to early indicators of catastrophe.[3] Disaster relief officials, diplomats and politicians have since struggled to meet public expectations for swift, effective humanitarian assistance, breeding a discernable determination to avoid repeating costly errors.

The lessons of Ethiopia were political as well as operational. In the famine's aftermath, President Reagan belatedly remarked that "a hungry child knows no politics," expressing

[3]The onset of the Ethiopian famine was detected and reported as early as 1983; many reports from credible observers were largely ignored.

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Americans' hope that food assistance might depend on human need, not the political stripe of regimes. Reagan's statement reverberated in 1987, when Ethiopia was again ravaged by drought. The United States responded quickly and generously, spurring the United Nations and other donors. The emergency was contained and famine averted, along with a repeat of the acrimonious political confrontation with Congress that marked the earlier episode.[4]

Thus when famine began stalking Somalia in 1990, expectations for U.N., U.S. and other international involvement had long been established. For years the United Nations had assumed increasing responsibility for coordinating relief efforts and implementing the diplomatic and political strategies required to deliver assistance through zones of conflict. The United States had demonstrated more resourcefulness, generosity and determination in getting assistance to the Horn than any other donor—and was considered by some to shoulder particular responsibility given its long support of Siad Barre. Moreover, high-profile and highly successful American efforts in spring 1991 to mediate an end to Ethiopia's civil wars also raised expectations, as did the United Nations' protective response to Iraqi Kurds following Operation Desert Storm.

As Somalia's famine developed, however, the expectations raised over the previous decade would be disappointed. The international community failed to achieve the very goal of humanitarian assistance: to ensure the most fundamental of human rights—that of survival—for populations temporarily unable to fend for themselves. The Somali people—victims of a withering barrage of dictatorship, civil war, drought and ultimately anarchy—would be left largely to fend for themselves, until a point where their suffering was simply too horrific to be ignored.

Damning the United Nations

WHAT CAN SUPPORT an assessment of the U.N. role in Somalia as grossly incompetent, undisciplined and unfocused? Damning assessments come from relief workers directly engaged in the Somali crisis, professionals in the

[4]Politics, however, continue to distort U.S. humanitarian assistance efforts. Washington, for example, has often failed to register shrill public protests over deprivation caused by traditional U.S. allies, such as in Sudan in 1988–89.

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humanitarian assistance field and even candid U.N. officials. Views from a range of other well-placed, experienced observers and participants are no less condemning. The chief complaints stem from a series of U.N. blunders and its basic failure seriously to engage in the Somali crisis at a time when early intervention might have diffused its intensity.

The United Nations was essentially absent from Somalia after the flight of Siad Barre, when it transferred staff to Nairobi. The absence of country expertise and qualified senior personnel directly resulted in a debacle for Assistant Secretary General James Jonah's January 1992 mission to Mogadishu. U.N. efforts to broker a ceasefire between General Aideed and Ali Mahdi not only aggravated tensions between the rival clans but also eroded the neutral positions of other clans as well as that of the United Nations. That failure helped extend civil war for another two months and even today undermines U.N. credibility as it attempts to arrange a lasting peace.

Other U.N. failures also exacerbated tensions and violence among Somali factions. A high-profile U.N. delegation headed by Special Coordinator Brian Wannop in February 1992 failed to invite other clan leaders and elders to participate in discussions with Aideed and Ali Mahdi over peace talks proposed to be held in New York. The lack of perceived standing made it easier for Ali Mahdi to launch attacks against smaller clans, which he did the day after the United Nations issued invitations.

Another Jonah mission to Mogadishu in February finally led representatives of Aideed and Ali Mahdi to convene at U.N. headquarters in New York under the auspices of the United Nations, the Islamic Conference, the Organization of African Unity and the Arab League. Despite the exclusion of neutral Somali clans and members of the United Nations' own operational units, the principles of the March 3, 1992, ceasefire were set out and finally accepted. While there have been violations, the basic ceasefire between Aideed and Ali Mahdi has for the most part held.

A central flaw of U.N. involvement in Somalia was the failure to exploit the United Nations' own ceasefire, one of many missed opportunities. After the cessation of hostilities U.N. senior diplomats foundered in the field, the Security Council dithered and U.N. relief agencies squandered valuable time. The Security Council's meekness was inconsistent with more forceful actions taken regarding concurrent crises in both Iraq

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and the Balkans. Great power reluctance to focus on Somalia was unmistakable, as for months tiny Cape Verde offered a more ambitious agenda for action in the Security Council than did the United States.

The Security Council's initial political response was so timid, in fact, that an exasperated U.N. Secretary General Boutros Boutros-Ghali was eventually moved to charge that a naked double-standard was being applied by members more concerned with "the rich man's war" in the former Yugoslavia—a charge that allowed for no plausible denial.[5] That July outburst finally led to U.N. mobilization on the Somali famine, including the American airlift of food in August and the arrival of U.N. peacekeeping forces. But those actions came no less than seven months after the Security Council's initial consideration.

"Great power reluctance to focus on Somalia was unmistakable, as for months tiny Cape Verde offered a more ambitious agenda..."

UNICEF and other U.N. relief agencies were doing no better in the field. Repeated requests from private relief agencies for medicine and medical supplies went unheeded. Even Save the Children (U.K.), a relatively small private relief agency, delivered more food to Somalia than UNICEF did in 1992. The U.N. Development Program—the traditional coordinator of U.N. relief and development agencies—left untapped for nine months some $68 million earmarked for Somalia—for lack of a signature from a nonexistent Mogadishu government.[6] The U.N. High Commissioner for Refugees and the World Food Program grappled from January through April with the particulars of a contract to truck food from Djibouti to Somali refugee camps in the Harage region of Ethiopia. In the meantime, more than fifty refugees a day were dying of malnutrition.

Months of U.N. negotiations with Aideed and Ali Mahdi over the placement of U.N. peacekeepers to protect relief shipments missed the opportunity to hire and train certain local

[5]See Trevor Rowe, "Aid to Somalia Stymied," *The Washington Post*, July 29, 1992.
[6]See Julie Flint, "U.N.'s $68 million Somali Aid Blunder," *The Observer*, London, Sept. 6, 1992.

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militias—an initiative that not only might have weakened the positions of the two warlords but also moved more food. As crisis turned to catastrophe, the U.N. Department of Humanitarian Affairs played no discernable role in mounting an effective response to the famine—until Undersecretary Jan Eliasson's first visit in September—despite the fact that the U.N. unit had been formed early in the year to prevent just such an ineffectual response.[7]

Profiles in Courage and Incompetence

THE ORGANIZATION of African Unity proved largely irrelevant as Somalia's tragedy unfolded a few hundred miles from its Addis Ababa headquarters. Two years into the intensifying turmoil the OAU has yet to make a significant statement about humanitarian needs, national reconciliation processes or peacekeeping in Somalia. The OAU secretary general has not visited Somalia; no delegation of respected African elders has been dispatched to attempt a dialogue between conflicting factions; no concerted campaign has been launched to place or keep Somalia on the U.N. Security Council agenda.

Indeed one of the few OAU responses to the Somali crisis was to reject a plan for intervention proposed months ago by the Eritreans, based on Eritrea's lack of OAU membership. Yet even the Eritreans, unlike the OAU, had sent a delegation to Mogadishu during last winter's warfare.

When the final history of the collective response to the Somali crisis is written, the profiles in courage that emerge will be those of ICRC staff members and the four private relief agencies that stayed in Somalia even during its worst days of civil war and anarchy. The ICRC as well as the International Medical Corps, Save the Children (U.K.), Medecins Sans Frontieres and the Austrian nonprofit group, SOS, assumed many of the responsibilities and obligations that should have fallen to the United Nations, and saved thousands of lives in the process.

Their professionalism in providing relief assistance under the most difficult and complex conditions stands in stark contrast to the failures of various U.N. agencies. Further, their capacity to operate in such a setting exposes the hollowness of U.N.

[7]See Leonard Doyle, "U.N.'s Aid Supremo Post Goes to Swede," *The Independent*, Feb. 14, 1992.

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claims that Somalia was too dangerous for its own personnel. Two expatriate relief workers have been killed in Somalia, while many more peacekeepers, relief workers and journalists have died in Bosnia as part of that multilateral intervention in the same period.

Washington's Schizophrenic Response

WASHINGTON'S OWN policy responses to the Somali crisis provide a contradictory record at best. The incoherent reaction illustrates the lack of accountability in both U.S. and U.N. international relief programs. Weak congressional oversight and limited input from private relief groups continue to leave humanitarian assistance policies prone to executive branch manipulation. There are, for example, no standards, criteria or guidelines violated when huge sums of money are pumped through "humanitarian" channels for decidedly political purposes. Such was the case with aid provided to the former Soviet republics in 1992, at the expense of genuine catastrophes like Somalia.

Official U.S. relief agencies of the Agency for International Development in the Humanitarian Assistance Bureau—the Office of U.S. Foreign Disaster Assistance and Food for Peace—have a quality record unmatched by the United Nations or other donor governments. Yet their operational achievements in aiding Somalia were not supported with necessary political commitment at higher government levels prior to President Bush's personal involvement beginning in July 1992. American disaster assistance officials committed significant energy and resources to the ICRC and private relief agencies—with AID providing some $148 million to Somalia over two years by the end of August 1992—and also called for greater U.N. presence and leadership in Somalia. Yet the State Department's International Organization Bureau, the U.S. mission to the United Nations and the National Security Council kept Somalia low on the Security Council agenda—avoiding any commitment to multilateral action.

Lack of media attention and an agenda already overloaded with humanitarian crises in the Balkans, Iraq and, ostensibly, the former Soviet Union distracted State Department officials from giving proper attention to Somalia prior to July 1992. The State Department's African affairs bureau apparently failed in its attempts to get Somalia on Secretary of State

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James A. Baker's agenda and to bring the crisis to White House attention.

The Bush administration initially showed little interest in an April Senate resolution calling for "active U.S. initiatives" and encouraging mobilization in Somalia by the United Nations and the Organization of African Unity. Indeed, the administration rejected proposals to put Somalia on the U.N. Security Council agenda.[8] When the Security Council discussed Somalia on January 23, 1992, the U.S. delegation insisted on weakening the language of the resolution put forth by Cape Verde, sending the clear signal that Washington sought only low-level U.N. investment in the crisis.

"Weak congressional oversight and limited input from private relief groups ...leave humanitarian assistance policies prone to ...manipulation."

A reluctance to take on expanding financial obligations for U.N. peacekeeping—not just in Somalia but also in other locations that such a precedent might imply—helped inhibit stronger U.S. pressures on the United Nations. Thus American policy worked at cross purposes. On the one hand AID funding was critical in enabling the ICRC to devote an unprecedented 50 percent of its worldwide emergency budget to Somalia; on the other a lack of U.S. resolve in the Security Council only prolonged the Somali crisis and contributed to U.N. balking at both humanitarian and peacekeeping opportunities.

Heightened media coverage and an emotional cable from the American ambassador in Kenya finally brought Somalia to President Bush's attention in mid-July. Reacting strongly to reports of starvation, the president within days ordered a U.S. military airlift to bring food to Somalia and northern Kenya. The United States also began readying U.N. resolutions on additional relief and on Somali national reconciliation conferences. On August 13 the White House announced U.S. air transport for Pakistani troops constituting the first contingent of 500 U.N. peacekeepers in Somalia. (Yet earlier in the year the United States had forced the level of peacekeepers down

[8]See Jane Perlez, "Somalia Self-Destructs, and the World Looks On" *The New York Times*, Dec. 29, 1991.

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to 50 from the proposed 500.)

The U.S. military deployment to move relief supplies to hungry Somalis was so rapid, in fact, that it caused serious concern among private relief agency workers fearing increased security threats, as well as a diplomatic incident with the Kenyan government, which chose to portray the arrival of U.S. armed forces as "an invasion." Moreover the sudden turnabout in U.S. policy after more than six months of Somali ceasefire and a full nine months since Somalia had been labeled "the world's greatest humanitarian emergency"—as well as the timing of the announcement on the eve of the Republican National Convention and the heels of increasing media coverage—raised skepticism among many observers. Regardless of its motivations, however, the high-profile American action changed the dynamics of the international response to Somalia, embarrassing European and other donor governments and shaming the United Nations into a more determined approach.

Yet by the time President Bush made the November decision to intervene militarily, 80 percent of relief goods in Somalia were being looted and famine was claiming in excess of a thousand victims a day. The president was receiving convincing reports that remaining relief operations would have to be suspended, as the risk to relief staffers was rising well above acceptable levels. More than 300,000 Somalis had already died of starvation, and vast numbers remained in peril.

America's initial Security Council position underscored a willingness to weigh political benefits and requirements against the financial costs of multilateral humanitarian operations—an approach unchallenged until the U.N. secretary general's tirade and media attention forced a change. At the time of the August airlift, conditions were no different in Somalia than they had been for six months. Neither political nor logistical factors were altered; no significant new information was made available. The only difference was that the Somali situation had deteriorated in large part due to inaction by the international community: more people were hungry or starving.

Reforming Humanitarian Intervention

THE UNITED NATIONS and Security Council members must examine the broad policy issues stemming from failure in Somalia if the same frustrations are to be

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avoided elsewhere. The question of a double standard must be addressed. Speedy humanitarian intervention in Iraq's internal affairs to protect Kurdish populations contrasts greatly with slow international action in Somalia. How will the United Nations respond to inevitable demands for intervention elsewhere? Will the United Nations, for instance, protect persecuted and hungry populations in southern Sudan? What will be the criteria for future collective interventions?

The current U.N. requirement that a ceasefire be in place before introducing peacekeepers should be reexamined. The rule gives any number of minor players potential veto power over U.N. actions required to assist nonparticipants in civil strife. Failure to introduce international peacekeepers in Somalia in March 1992 eventually contributed to heightened levels of violence. Additionally, this criterion forced the United Nations to act as if all of Somalia were engulfed in Mogadishu's extreme circumstances, which was simply not the case.

The Security Council should also construct guidelines concerning acceptable safety risks for U.N. personnel intervening in internal conflicts. Operations in Somalia were badly hampered by a lack of on-the-ground expertise due to the evacuation of U.N staff. Yet questions of safety in Somalia struck many as a disingenuous excuse for U.N. failures. The assertion, for example, that lack of casualty insurance for U.N. staff was a primary reason for vacating Somalia underscores the necessity of clear and reasonable guidelines in this area.[9]

It is obvious that without securing adequate resources the United Nations can be expected to do little. Long neglect by the United States and other powers has taken a heavy toll on the professionalism of U.N. agencies. At the same time, the United Nations must rightfully look toward internal reform to recapture both credibility and savings if its budgetary problems are to be seriously addressed. The extent of U.N. ineptitude was dramatically exposed by its bungled response in Somalia. Yet clearly Somalia is but one example of the United Nations failing to meet its obligations for reasons other than financial constraints. World opinion may not be as forgiving as

[9]See Keith Richburg, "In Africa, Lost Lives, Lost Dollars: Incompetence, Negligence, Maladministration Among U.N. Woes," *The Washington Post*, Sept. 21, 1992. U.N. Undersecretary Jonah is quoted as saying, "The U.N., as it is now, is not structured for emergency situations. How do you cover them (U.N. staff members) by insurance? It is very difficult to find a credible insurance company to cover them."

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in the past as institutional shortcomings increasingly come to light.[10]

In fact a public airing of all that went wrong with the U.N. response to Somalia is both warranted and desirable to achieve meaningful reform. The United Nations must address the issue of the lack of professional capability within its humanitarian agencies. Those officials who failed so badly in Somalia must answer for those failures if the confidence and credibility of U.N. agencies is to be restored.

"Those officials who failed so badly in Somalia must answer for those failures if the confidence and credibility of U.N. agencies is to be restored."

President Bill Clinton can lead in reforming humanitarian policies by pushing to form two bodies to help map out a new set of guidelines for both U.S. and international relief programs now venturing into largely uncharted waters. Only Washington can lead in mobilizing the political will to form a U.N. commission to review humanitarian assistance reform. Beyond bureaucratic consolidation and coordination, that U.N. commission should also be charged with identifying which U.N. mandates and authorities require buttressing for collective involvement in internal conflicts, including the terms for asserting the right of survival over sovereignty. President Clinton should also convene a blue ribbon commission to review America's own bilateral aid policies. That domestic body's priority would be to bring more consistency to U.S. humanitarian programs by opening a system now lacking adequate public scrutiny.

The Need for Accountability

ULTIMATELY THE MOST important question is one of accountability. To whom are the U.N. relief agencies accountable? Who should determine when and how Washington extends humanitarian assistance in the name of the American public? What is the collective international responsibility to people in need who do not merit special polit-

[10]Particularly telling is a four-part series in *The Washington Post*, "The U.N. Empire," Sept. 20–23, 1992.

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ical status or sustained media attention? What is America's own responsibility if the president is not reached by reports of starving children?

Greater accountability needs to be established both at the international level and in America's bilateral aid programs, which have such disproportionate impact on the efforts of the United Nations and the other players. Without improved accountability, there is no reason to believe that the horrible lessons apparent from the catastrophe in Somalia will be absorbed. The world will instead revisit the same stories of neglect, evasion of responsibility and lack of political determination that may lead to massive suffering in other lands due to be racked in the post-Cold War era.

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AMBITIOUS IRAN, TROUBLED NEIGHBORS

Daniel Pipes
Patrick Clawson

A New Locus of Danger

EVENTS IN IRAN and its neighbors—Iraq, Saudi Arabia, Afghanistan, Central Asia, the Caucasus and Turkey—generated most of the Middle East's history in 1992. While the more northerly countries played in the shadows of the Soviet collapse, the southerly ones contended with the aftermath of Operation Desert Storm.

Violence and war characterized the year. Iran forcibly expelled residents of several Persian Gulf islets. Fighting continued in Iraq's Kurdish north and Shiite south, fracturing the country into three sections. Confrontation with the U.N.-mandated forces also continued, including U.S. air strikes just days before the change of presidents in Washington. The Najibullah regime in Kabul collapsed, exacerbating Afghanistan's civil war. Civil war in Tajikistan broke out, and fighting between Armenia and Azerbaijan took thousands of lives.

This turmoil spurred few responses from Washington. A generally passive Bush administration relegated much of foreign policy to the working level, while the policymakers (especially President Bush and Secretary of State James A. Baker) devoted their attention to domestic issues and the presidential campaign. As a result myriad Middle Eastern problems—oil supply and pricing, terrorism, drugs, refugees, arms proliferation—await decisions by the Clinton administration.

The Growing Iranian Threat

WITH IRAQ WEAKENED and under international sanctions, the principal threat to U.S. interests in the Persian Gulf region may in the future come from Iran.

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In 1992 Iranians sent mixed signals regarding their intentions. Some signs suggest Tehran is prepared to drop the terrorism and belligerent rhetoric that have so isolated it. The most important indication of a moderating trend was the outcome of elections in spring 1992 for the Majlis (parliament). Less than a quarter of the candidates endorsed by the radical Islamic Clergy Association won. President Ali Akbar Hashemi Rafsanjani apparently had a mandate to bury revolutionary rhetoric and quietly to improve relations with Iran's neighbors and the West.

The deepening of economic reform provided a second sign of increased moderation. Rafsanjani abandoned the radicals' concept of Islamic economics, which consisted of such policies as income redistribution, state direction of the economy along Soviet or Indian lines, and limitation of consumption (as opposed to wealth creation). The goal of self-sufficiency in all products gave way to the pursuit of Iran's comparative advantage in oil; production rose from 2.5 million barrels per day in 1988 to 3.2 million in 1992 and may reach 4.5 million within a few years. Under Rafsanjani's command, Iran resumed ties with the International Monetary Fund, borrowed from the World Bank, and implemented the economic reforms recommended by those organizations. He steeply cut the budget deficit and greatly reduced government control over imports. One exchange rate for the rial, set by the market, will replace several old unrealistic rates.

These steps led to a 20 percent increase in per capita real income during the first three years of Rafsanjani's presidency (1989–92); imports in that period rose from $11 billion a year to $25 billion. But three considerations mar this otherwise impressive achievement. First, this growth is relatively modest compared to the 40 percent drop in Iranian income from the shah's rule to today. Second, it depended on an unsustainable rate of foreign borrowing, which reached $6 billion in 1991–92 alone. Iran went quickly from a good credit risk to a potential problem debtor. Third, Rafsanjani is repeating the shah's economic errors by borrowing heavily abroad and spending some $10 billion on inappropriate state-run heavy industry such as large steel mills and automobile assembly plants. Tehran pours huge sums into power generation facilities even as electricity rates remain at less than half of cost.

While elections and the economic reform program suggested increased moderation at home, Tehran's foreign policy

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remained bellicose. Iranian moderates advocate an aggressive brand of Persian nationalism that is likely to cause troubles in the years ahead. Looking at the world through the combined filters of fundamentalist Islam and a resurgent Persian nationalism, they aspire to a sphere of influence that includes Iraq, the Transcaucasus, Central Asia, Afghanistan and the Persian Gulf.

Tehran demonstrated its hostility to the West in five main ways during 1992. First, Iranian support for terrorism continued. In November the June Fifth Foundation increased the bounty on novelist Salman Rushdie's head, still seeking his death for having written *The Satanic Verses*. Iranian citizens, if not their government, reportedly bombed the Israeli embassy in Buenos Aires in April. Iranian agents continued to assassinate Iranian dissidents abroad, killing four Kurdish leaders in Berlin in September.

Second, the regime continues to support Islamic revolutionaries in their efforts to destabilize Western allies. The governments of Jordan, Egypt and Algeria all pointed a finger at Iran, seeing it as the mainstay of radical Islamic elements seeking their violent overthrow. In particular the Egyptian government claims to have solid evidence that attacks against foreign tourists were carried out by agents trained by Iranian revolutionary guards in Sudan.

Third, Tehran reacted furiously to the Arab-Israeli peace process. Its 1992/93 budget formally allots $20 million for Palestinian rejectionists, and Hamas, the fundamentalist Palestinian group, has opened an "embassy" in Tehran. Hamas received new weapons from Iran for attacking Israel, and within a week Katyushas went off from Lebanon, threatening to disrupt the peace negotiations.

Fourth, in 1992, Iranians acted with calculated aggression in the Persian Gulf—which in Iranian nationalist eyes should be Persian territory. They demanded $78 million from Kuwait as "parking fees" for Kuwait Air airliners flown to Iran by Iraqi pilots during the Gulf War. They initiated a $1.7 billion development on the Iranian side of an oil and gas field that is predominantly under Qatari waters. In April Tehran expelled several hundred United Arab Emirates residents from Abu Musa, the largest of three disputed islands in the Persian Gulf that Iran had administered jointly with the U.A.E.; in September Iran declared sovereignty over the territories. Located near the Strait of Hormuz, the islands have strategic

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importance because oil tankers must pass within ten miles of either the islands or the Iranian mainland. Iranian troops deployed on the islands stand just fifty miles from population centers of the U.A.E., with obvious intimidating effects.

Fifth, Iran's rearmament program picked up in 1992 as Tehran went shopping for arms in the former Soviet bloc. It ordered three submarines and large quantities of MiG-29s, Sukhoi-24s, Su-22s, missiles, tanks, armored personnel carriers and artillery. The Iranian five-year plan for 1989–93 allocates $10 billion for arms. Of course Iran does have legitimate security concerns, particularly with Iraq, and it did end the Iran-Iraq War with worn-out weaponry. But Tehran has ordered equipment designed for denying others access to the sea, such as Kirov-class submarines and long-range Soviet planes designed to attack aircraft carriers.

"More alarming yet, Iran appears to have launched a program to acquire nuclear weapons."

More alarming yet, Iran appears to have launched a program to acquire nuclear weapons. Nothing else explains its single-minded pursuit of nuclear power plants (including two ordered from China and Russia) in a country deficient in the capital required to build such plants and rich in natural gas that can fire power plants cheaply. Credible reports also point to collaboration on nuclear technology with Pakistan, whose authorities acknowledge possessing the know-how and technology to build a bomb.

Pragmatism on domestic and economic issues, in short, does not translate into cooperation with neighbors or the West. Quite the contrary, Tehran may be on a collision path with its neighbors and with the United States. Rafsanjani might threaten the West's vital interests more directly and with greater effect than did Ayatollah Ruhollah Khomeini. Under Khomeini, Tehran promoted terrorism against individuals, quixotic efforts to overturn governments, and concentrated on events like the pilgrimage to Mecca. Under Rafsanjani, it does all that and more, building up Iranian military power and exerting influence over a huge contiguous region.

These various trends in Iran could result in an explosive mix. Iran's government will soon be heavily armed, it claims regional domination and borders the world's richest mini-

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states, yet it cannot deliver the promised prosperity. As Saddam proved, this volatile mix might explode with little warning and in unexpected ways.

Washington must prepare for the possibility that Iran intends to challenge vital U.S. interests in the Persian Gulf, where three-fourths of the world's oil reserves are located. As with the Soviet opponent in decades past, Washington has two basic policy options: détente or containment. Détente means working with Rafsanjani and the Iranian moderates in hopes of modifying Iran's anti-Western behavior. Containment means laying down clear markers, avoiding military confrontation and hoping that internal problems will eventually cause the regime to implode.

Détente has some appeal, especially if the Western allies can reach a consensus on the carrots and sticks to be applied to Iran. But the effort to moderate Iranian radicalism may fail, much as did earlier efforts with Saddam Hussein. Foreign governments have very limited influence on Iran, as the Iran-contra debacle showed. Further, years of U.S.-Iranian venom render so nuanced a policy emotionally impossible on both sides. The U.S. government cannot credibly offer Iran much on trade, and Congress is not likely to rescind its Iran-Iraq Nonproliferation Act of 1992, which applies the most stringent export restrictions to Iran (as well as Iraq). For its part Tehran accuses Washington of moving the goalposts: What benefit did it get for securing the release of Western hostages in Lebanon?

The Europeans and Japanese agree with much of Tehran's criticism; they therefore dismiss American proposals that aid to moderates be delayed until Iran meets certain tests. In effect, most U.S. allies have gone the détente route on their own, providing Iran with billions each year in government-backed loans and access to advanced technology, some even with military applications.

Alternatively the U.S. government can proceed on its own with a containment policy. Iranian economic weakness increases the chances for the success of such a policy, as does the growing disillusionment of the Iranian people. Indeed it is by no means clear that the Islamic revolution will last into a second generation. Iranians seem more interested in the reversal of the decline in living standards than in the continuation of Islamic rule. Economic dissatisfaction and anger with rampant corruption led to rioting in four cities in 1992, including large, organized, openly anti-regime disturbances lasting several days

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in Mashhad.

Containment will not be easy to sustain. It takes years or even decades to work, and so requires a broad consensus of support within the United States. It means foregoing the commercial opportunities offered by Iran's reemergence as a major oil producer. Further, Americans cannot by themselves make containment work; if Iran secures financing and technology from Europe and Japan, as is now the case, it can blunt U.S. efforts. Therefore the key lies in convincing reluctant allies in London, Paris, Bonn and Tokyo to support a unified Iran policy. Ironically it may be simpler to secure their cooperation if Washington takes a principled stance in favor of containing Iran, rather than a nuanced carrot-and-stick policy for rewarding moderate behavior.

The Iraqi Nemesis

IN 1991 IRAQ symbolized victory at war for the United States. In 1992 it symbolized disaster averted. However dull and unsatisfying, the absence of catastrophe was a considerable achievement. The Iraqi population did not die in massive numbers from starvation, plagues or civil unrest. Saddam Hussein did not sell large amounts of oil or rebuild his arsenal. Neither Iran nor Syria invaded Iraq. Oil prices remained steady.

In fact, circumstances improved in 1992 from the U.S. perspective. The ruling circles in Baghdad began to argue among themselves. The Baath Party proved a less efficacious instrument of power. The Iraqi arsenal weakened under the impact of the embargo and the continued work of U.N. inspection teams. Saddam Hussein did not strongly contest the prohibition of Iraqi aircraft from southern Iraq, the "no-fly zone" that was set up by Gulf War allies to protect Iraqi Shiites who live in the area from attack by Iraq. Iraqi attempts to test U.S. resolve met with firm resistance, including the shooting down of an Iraqi MiG and the destruction of missile installations. Such U.S. action has both further prevented Saddam's assault on the Shia of the south and further narrowed his writ.

But Americans, their expectations raised by Operation Desert Storm, did not appreciate these subtle successes. Instead they saw Saddam Hussein still in power and felt intense frustration. Bumper stickers with "Saddam still has a job, do you?" summed up the sour mood. Congressional

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probes into the Bush administration ties to Iraq prior to August 1990 ("Iraqgate") revealed a policy at best myopic, at worst criminal. Together, discontent about 1992 and scorn for 1989 undid President Bush's 1991 reputation as the architect of victory. More than any other foreign policy issue, Iraq-related developments contributed to his defeat at the polls.

"Looking into the future the new administration has but limited options vis-à-vis Iraq."

Looking to the future the new administration has but limited options vis-à-vis Iraq. While it can make human rights issues and the spreading of democracy a more central focus of American policy toward Baghdad, major deviations from the Bush approach—steady pressure on Saddam but minimal involvement in Iraqi politics—seem unlikely.

Instead the real options belong to Saddam Hussein. He might view Bush's defeat as an opportunity to mend relations with the U.S. government. Indeed, the very first press reaction to Bill Clinton's victory (Iraq "will reciprocate in kind to balanced policies") hinted at this possibility.[1] Replicating his actions of a decade earlier, Saddam could eliminate bellicose rhetoric against foreigners and reduce his brutality at home. He could also comply with some U.N. resolutions, for example by cooperating with U.N. inspection teams. In return he presumably would demand the end of economic sanctions and the acceptance of his rule. Such an initiative would present the Clinton team with a dilemma: Should they give Saddam another chance or not?

They could, for the new president has not so far made Saddam Hussein's overthrow an American objective. But they should not. Saddam deserves absolutely no more chances. Giving Saddam no more chances, however, does not imply working actively to overthrow the Iraqi regime. The U.S. government does not have the means to accomplish that end. Moreover turmoil or a power vacuum in Iraq could create severe complications. Eliminating Saddam would leave a power vacuum that could require a U.S. presence for months or years. After establishing order, the occupying authorities would have to establish new institutions in the American image.

[1] *Al-Qadisiya*, Nov. 5, 1992.

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Implausible even during the euphoria of February 1991, this scenario appears nearly incredible at this time of American introversion. American interests, therefore, may well be served best by restraint.

Where does this leave American policy? Where it is today—calling for full implementation of U.N. Security Council resolution 687 on establishing a permanent ceasefire and resolution 688 on safeguarding the Kurds. Clinton has called for a continuation of U.S. policy: "Whether Republicans or Democrats are in power Saddam Hussein must understand that Washington will insist with the same determination that he respect the U.N. resolutions."[2] The U.N. resolutions require Iraq to settle its boundary dispute with Kuwait; acquiesce in the destruction of all chemical, biological and nuclear facilities and weapons; close down its terrorist apparatus; permanently renounce the acquisition of nonconventional arms; return all Kuwaiti property and pay compensation for damage; and respect the human rights of the Kurdish and Shiite minorities. Only when Saddam complies with all these terms might the Security Council lift the sanctions. To this list the U.S. government should add that Iraq remain ostracized so long as those with a long record of violating international law rule the country.

Persian Gulf Insecurities

THE OIL KINGDOMS face many economic and political problems that belie their image as rich and contented. Neither Kuwait nor Saudi Arabia made much progress in 1992 addressing vital issues. The ruling dynasties in both countries continue to depend on family rule and the distribution of largesse. But cash alone cannot indefinitely buy political support; demands on the public purse continue to increase while income does not, and the increasingly educated middle-class population wants a voice in public life.

In Kuwait, war and then reconstruction reduced the government's estimated prewar assets of $100 billion to about $15 billion (after netting out the borrowing). Poor financial management also contributed to this drop: high-profile investments in Spain lost up to $5 billion, and the postwar rescue of Kuwaiti banks cost several billion dollars more than was nec-

[2]Interview with Bill Clinton, "Ce que je crois," *Politique Internationale,* Fall 1992, p. 15.

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essary. For Kuwait to regain its financial balance requires exporting its prewar level of two million barrels of oil per day, a goal that depends more on decision-making by the Organization of Petroleum Exporting Countries (OPEC) and world markets than on Kuwaiti oil field capacity. Kuwait's fields have been largely rebuilt; production is up to 1.5 million barrels per day.

"...Washington needs to view Saudi Arabia as a temporary ally with whom numerous and profound differences remain, and to keep open other options."

In Saudi Arabia, official assets amounted to around $225 billion in 1981; now foreign assets of about $50 billion are balanced by the national debt—most of it held internally—of about $60 billion. Huge subsidies deplete the treasury while the tax base remains minuscule. Operation Desert Storm cost Riyadh about $60 billion. The $8 billion 1992 budget deficit is about eight percent of GDP, or twice the share of the U.S. deficit in its GDP. The Saudis have taken steps to curtail their deficit, reducing spending from $83 billion in 1982 to $48 billion in 1992, but if current trends persist, Saudi Arabia will soon become a major debtor state. Riyadh may yet retain the reputation of a financial giant, but a giant with feet of clay.

Indeed virtually all OPEC member states need money urgently to maintain living standards. OPEC's ability to produce at record levels while maintaining prices higher than pre-Kuwait invasion prices depends on phenomena that may not persist, in particular, Iraq's absence from the market and the collapse of production in the former Soviet Union. However, over the next three to five years, OPEC members may compete rather than cooperate if the market becomes soft. Four factors would most weaken oil prices: Iraq's return to the market, the former Soviet republics reestablishing previous production levels, a sluggish world economy, and higher taxes on oil in the industrial countries (whether out of environmental concerns or for fiscal reasons). Ample supply and stagnant demand on world oil markets may hurt Saudi and Kuwaiti finances and weaken OPEC. Tensions may increase within OPEC between Persian Gulf Arab states and Iran over the latter's hawkish price stand and its relentlessly expanding output.

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Turning to political issues, border disputes continued to fester in 1992 without producing major problems. Saudi Arabia and Qatar had a nasty exchange in the fall. Riyadh continues to be hostile to Yemen, due to age-old rivalries, bitterness over Yemen's pro-Saddam stance in 1990–91 that led to the subsequent expulsion of more than half a million Yemenis working in Saudi Arabia, as well as Saudi unhappiness with Yemen's multiparty elections.

While retaining power firmly in their hands, the ruling Persian Gulf families in 1992 took several small steps to broaden political participation. The opposition did unexpectedly well in Kuwait's October elections, taking 31 of 50 seats in the National Assembly. Yet despite the opposition's victory, the emir appointed ruling Sabah family members to the key posts of defense, foreign affairs and interior. The Omani and Bahraini rulers revitalized their consultative assemblies—one broadened its membership, the other renewed a 1988 promise to reconvene an assembly dismissed in 1975. On March 1, 1992, King Fahd of Saudi Arabia issued an unprecedented series of decrees aimed at decentralizing political power and protecting certain individual rights. This "Basic Law of Government" could systematize and regularize procedures that in the past had been largely subject to royal whim. In addition the king announced that he would finally convene the oft-promised Consultative Council, though he kept missing self-imposed deadlines.

As in other Muslim states (Jordan, Algeria) the broadening of political participation in Saudi Arabia may make the country more fundamentalist, thereby threatening its political stability. Indeed, 107 religious leaders complained in a manifesto of Western cultural influences (television programs that "glorify decadent Western life-styles") and Riyadh's alliance with the West (inviting "atheist" troops to defend the kingdom and the failure to fight "the Jewish enemy"). Riyadh continues to be nervous about democracy in the region, as evidenced by its reaction to Yemen's parliamentary elections and the pressure on oil companies not to explore an area generally recognized as Yemen's side of a disputed border.

Americans ought to be very cautious about seeing Saudi Arabia as "an island of stability in one of the more troubled areas of the world," as President Carter so unwisely described Iran just a week before the Iranian Revolution began. Rather than making alliance with Riyadh the foundation for U.S. pol-

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icy in the region, Washington needs to view Saudi Arabia as a temporary ally with whom numerous and profound differences remain, and to keep open other options.

Turkey, Island in a Storm

TURKEY OFFERS one of those options. It is the only country in the Middle East with which America has a formal treaty of alliance (through NATO) and, along with Israel, the only democracy in the region. It is also a country at great risk in the years ahead.

Risk is what Turkey has avoided during the past fifty years. From the sophisticated neutrality of World War II to the low profile vis-à-vis the Soviet Union to the avoidance of Middle East maelstroms, Ankara steered clear of problems. The Soviet collapse and Operation Desert Storm—however desirable from Ankara's point of view—have embroiled Turkey in perilous foreign affairs. The country so long at the margins of other people's dramas suddenly finds itself a fulcrum of unrest. Turkey is now beset by wars on three fronts: Kurdish rebels in its southeast (in Turkey and in Iraq), the Armenia-Azerbaijan war on its northeast, and the slaughter of Muslims in the former Yugoslavia to its northwest—in addition to pressures for involvement in Central Asia and continuing problems with Cyprus and Greece.

Kurds number some ten million in Turkey, five million in Iran and four million in Iraq, with smaller populations in Syria and the Caucasus republics of the former Soviet Union. Simplifying a complex situation, Kurds in Turkey and Iraq have rebelled against their own governments and allied with the other power. Baghdad (with help from Damascus and Tehran) works with the main organization of Turkish Kurds, the Workers' Party of Kurdistan (Partiya Karkerana Kurdistan or PKK) against Turkey. The PKK had a terrible record of violence in 1992, mostly against fellow Kurds, and now controls portions of southeastern Turkey. To make matters worse, the Turkish army has responded with its own aggressive war against the PKK. Prime Minister Süleyman Demirel, whom military officers have already deposed twice (in 1970 and 1980), seems unwilling to face down his generals this time.

The issue of Turkish Kurds complicates U.S. policy toward Iraq. Turks fear that American encouragement of Kurdish forces in Iraq may spawn an autonomous Kurdish region—or

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even an independent state—in the far northern part of Iraq. Ankara fears this would inspire Turkish Kurds to try the same tactic. Were they to succeed, the Turkish Kurds would have challenged the notion of Turkish nationalism, and thereby the very existence of a Turkish nation-state. Such high stakes explain the vigorous debate in Turkey over renewing permission for the U.S. military's relief effort in northern Iraq (variously known as Operation Provide Comfort II and Operation Poised Hammer). For its part the PKK has attacked supplies en route from Turkey to the Iraqi Kurds, obstructing relief efforts in northern Iraq. Turkish strikes into Iraq against the PKK have aroused Iranian concerns that the generals seek to take care of the Kurdish problem by annexing northern Iraq. Tensions are high, violence endemic and a crisis probably near.

Further east, war between Azerbaijan and Armenia continues after violence broke out in early 1988, when the Soviet Union still existed. Sensing the end of the Soviet empire, the Armenian leadership launched an attempt to control Nagorno-Karabakh, an area of Armenian population lying within Azerbaijan. Azeris resisted, and the conflict escalated into a brutal struggle of siege, embargo and massacre.

Turks feel a strong visceral sympathy for Azerbaijan. Turks and Azeris speak almost the same language and adhere to a similar religion (Azeris are Shia). Turks also share with Azeris a history of conflict with Armenians. Azerbaijanis reciprocate these warm feelings. Symbolically, while Central Asian nations have asked Russia to represent them abroad, Azerbaijan relies on Turkey. Azeri politicians make extravagant statements to the effect that "the enemies of Turkey are our enemies too," and that Azerbaijan's independence is sure to "rally all the Turks together." Accordingly Ankara feels strong popular pressure to get directly involved against the Armenians. Within Turkey, for example, voices such as that of nationalist Necati Özfatura advocate that Turkey "play a deterrent role against Armenian adventurism by openly expressing its readiness to wage a war, if need be, against Armenia in defense of Azerbaijan."[3] In Azerbaijan, leaders use a kind of code, calling on Turkey to help the Azerbaijanis "consolidate" their independence—that is, control the territories contested by Armenians.

Although the conflict pulls strongly on Turkish emotions,

[3]*Türkiye*, Sept. 11, 1991. In expressing these views, Özfatura undoubtedly has his Azeri readership in mind, for *Türkiye*, like many of the Turkish national papers, is now available in Azerbaijan.

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Ankara has good reason to keep amicable relations with Armenia. It has kept out of the Caucasus war because the Turkish leadership understands that siding with Azerbaijan could jeopardize Turkey's carefully nurtured relationship with the United States and Europe.[4] When arguing for restraint, Prime Minister Demirel explicitly acknowledges the danger of "a conflict between Muslims and Christians that will last for years."[5] But Ankara may not be able to stay out if atrocities against Azeris continue or Armenians succeed in taking Nagorno-Karabakh. By staying out of the conflict, Turkey not only avoids confrontation in the Caucasus but might substantially improve its reputation in the West, currently under assault by diaspora Armenians.

"Bosnia confirmed a growing Turkish conviction about European hatred for Islam and Muslims."

For its part too, Armenia has compelling reasons to maintain good relations with Turkey, its primary access to the outside world. Having lost its historical Russian protector and nearly surrounded by Turkic Muslims, Armenia needs to get along with the strongest of its neighbors. Indeed, in return for food shipments to Armenia, Yerevan has already asked its diaspora brethren to ease up on their anti-Turkish campaign.

Bosnia-Herzegovina similarly tempted Turks to intervene in 1992. Bosnian authorities pleaded with Ankara to help them stave off Serbian depredations and prevent "ethnic cleansing." Demirel vowed not to stand idly by, yet he did. As in the Caucasus, foreign policy considerations prevented the Turks from interceding; as there, developments in Bosnia further raised the political temperature in Turkey. Bosnia confirmed a growing Turkish conviction about European hatred for Islam and Muslims.

Central Asia might also disturb the Turkish political equilibrium, though for other reasons. The unexpected independence of five predominantly Muslim (and four Turkic) republics on the far side of the Caspian Sea has inspired the excited notion of Turkey spearheading a seven-state Turkic bloc. This vision tempts some Turks to pretensions of grandeur. "Current his-

[4]Turkey does admit to training Azeri officers, and Azerbaijan admits to deliveries of fabric for its troops' field uniforms.

[5]TRT Television, May 2, 1992.

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torical circumstances," announced President Turgut Özal, "permit Turkey to reverse the shrinking process that began at the walls of Vienna [in 1683]."[6] Kamran Inan, a minister of state, declared that "Turkey is a candidate to be the strongest state in the West in the period following the year 2010."[7] These delusions could cause mischief in the years ahead, prompting Turks to overestimate their strength and commit major mistakes abroad. At the same time, Turks do have a potentially constructive role in Central Asia, and should be encouraged to play it.

The U.S. ability to respond to these issues has been limited by a persistent tendency to view Turkey as a southern European country like Portugal or Greece. The secular quality of Turkey's official culture, the use of the Latin alphabet, and the thoroughly pro-Western orientation of its top personalities induce Americans to miss the Muslim and Turkic dimensions of its political life. Thus the State Department includes Turkey in the bureau that handles all of the former Soviet Union, eastern and western Europe, and Canada. Military and intelligence officers view Turkey in terms of NATO, forgetting that Turkey also abuts Iran, Iraq and Syria. Worries about tensions with Greece push aside those with Syria. The Senate concerns itself more with Armenian resolutions blaming Turks for genocide during 1915 than it does with ominous statements coming out of Tehran in 1992 portraying Turkey as Iran's potential strategic enemy.

The inclination to see Turkey as just another European state makes American relations with Ankara unusually misconceived, for it is also a Middle Eastern country. Moving Turkey administratively into the Middle East would be a small but significant step to begin the process of seeing the country in its proper context.

Moreover Washington would benefit by working closely with Ankara. This means coordinating policy on the Kurdish zone in northern Iraq; helping to ensure that the "howl of the Central Asian wolf" does not distract Turks into thinking they have become a world power; and strongly encouraging Turkey to stay out of the Caucasus imbroglio. By a similar token the U.S. government should make clear to Armenians, both at home and in Armenia, that it entirely rejects their self-portrayal as Christendom's front defense against Islam.

[6]*Der Spiegel*, Dec. 23, 1991.
[7]*Milliyet*, March 30, 1992.

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Central Asia on the Screen

CENTRAL ASIA, historically remote from the United States, now involves American interests in two respects: long-range nuclear weapons in Kazakhstan and unrest caused by fundamentalist Islamic movements throughout the region.

Kazakhstan has a mixed population reminiscent of Lebanon: 40 percent Kazakh, 36 percent Russian, plus substantial numbers of Ukrainians, Germans, Koreans and others. President Nursultan Nazarbayev tries hard to maintain harmonious relations among ethnic groups, which means remaining close to Russia, almost to the point of abridging Kazakhstani independence. But this policy of accommodation disturbs Kazakh nationalists, who demand more assertive policies, and Nazarbayev must acquiesce to them too. For example, to shift the ethnic balance the authorities in Alma Ata encourage immigration by Kazakhs living outside Kazakhstan; they even offer passports to diaspora Kazakhs, without requiring them to immigrate. Many of Mongolia's 150,000 Kazakhs emigrated in 1992 and an unknown number of China's 900,000 Kazakhs may follow. If Kazakh nationalists get their way, a newly assertive Kazakhstan government might take steps harmful to the Russians in the country, provoking the Kremlin and leading to conflict of possibly epic proportions. Alternately, an ultranationalist government in Moscow may seek to enhance its standing through confrontation with Alma Ata.

This almost standard post-Soviet predicament concerns the United States because Kazakhstan hosts 104 SS-18 missiles and 40 nuclear-armed bombers. Today the weapons are under the command of the Commonwealth of Independent States. In the event of confrontation with Russia, Kazakhstan would be hard-pressed to mount a credible conventional defense against Russian forces. It possesses few conventional arms, the officers in its nascent army are overwhelmingly ethnic Russian, and the largely Russian population in the north of the country would probably welcome Russian intervention. Therefore Kazakhstan's best defense may lie in seizing full control over the nuclear weapons on its territory and threatening Moscow with mutual destruction. Kazakhstan may stall on its commitment to go nonnuclear or demand a quid pro quo for this step, such as massive Western aid or security guarantees. Its current policy, that it must be fully involved in negotiations

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over the destruction of its nuclear weapons, provides ample opportunity for delay. In any case, the first Strategic Arms Reduction Treaty permits Kazakhstan to keep nuclear weapons until 1999. Washington will need to develop incentives as a means of influencing Kazakhstan's nuclear decisions.

Fundamentalist Islamic movements in Central Asia, and especially in the heavily populated Fergana valley, present another issue of concern to Americans. The collapse of Soviet authority meant the ending of most restrictions on radical Islam's growth, with impressive results. To date, the resurgence of Islam has taken the form of primarily cultural, educational and narrowly religious activities (such as teaching Arabic script and the Koran). But increasingly powerful elements demand that governments promote Islamic customs and that *sharia*, or Islamic law, be the sole basis of law. While the movements do espouse anti-Western views, they are indigenous and only secondarily assisted by foreign powers, especially Iran, Pakistan and Saudi Arabia.

In Tajikistan, ethnic Tajiks (the Persian-speaking ethnic group that makes up two-thirds of the republic's population) have been engaged in a civil war that began when Rakhmon Nabiyev, Leonid Brezhnev's Communist Party chief, got himself elected president in November 1991. Opposition forces, including some fifty private armies, rebelled against him in March 1992. Two months later Nabiyev brokered the end of a 51-day rebellion, only to resign at gunpoint in September. Forces loyal to him captured Dushanbe in October, but his replacement, Akhsbarshah Iskandrov, retained power for seven weeks thanks to the intervention of Russian troops.

These events prompted concern that Iranian-inspired fundamentalism could feed unrest. But Tajikistan's troubles result more from local ethnic, regional and inter-elite conflict than from outside interference (as Uzbekistan's leaders forcefully allege) or the influence of fundamentalist Islam.

As in Tajikistan, civil strife could emerge elsewhere in Central Asia. Regional and ethnic splits have erupted into murderous violence, as have differences between the old communist elites and those who would challenge them. The challengers inevitably claim to support more rapid economic reforms—though their programs are vague—and to be democrats—though it is unclear what they mean by that term.

With Central Asia so remote and alien to Americans, the U.S. government is unlikely to get directly involved in that

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region. Washington, thus, has two basic options: encourage ties to Turkey or to Russia. President Bush adopted the former policy, calling Turkey a "model to others, especially those newly independent republics of Central Asia." This approach, however, has serious limitations, for Turkey is distant geographically, with no direct links to the area, and it is not much more advanced than Central Asia. After the first flush of enthusiasm (when they called Istanbul "the Mecca of Turks") Central Asians have cooled down on the prospect of emulating Turkey or following its political lead.

Central Asia's connections to Moscow are profound and will likely remain so for years to come. Russian continues to be the *lingua franca* and rubles the currency. Russians command the military, while the old-guard politicians who still run nearly all of Central Asia still habitually look to the Kremlin for guidance. Russia has also taken on new roles in the recent past: Uzbek dissidents now publish in the Russian press and take refuge in Russia. More broadly, Russia leads the way in attempting to emerge from seven decades of communist rule. For all these reasons American planners should encourage continued strong ties between Central Asia and Russia.

This is all the more urgent because Iran, not Turkey, is the real alternative to Russia. Iran has greater financial means, a more dynamic ideology, geographic contiguity, and it offers realistic trade routes to the ocean (across relatively flat land to the excellent port at Bandar Abbas). U.S. oil companies and investment banks should commit their hundreds of millions of dollars to finance pipelines via Russia, not Iran. American interests call for Russian President Boris Yeltsin to survive, not Rafsanjani to gain new resources.

An Uncertain Future

WHEN IT COMES to the Middle East, the lion's share of American attention habitually goes to the Arab-Israeli conflict. But events in 1992 confirm a trend in place at least since the Iraqi invasion of Kuwait: the eastern half of the Middle East hosts problems of increasing importance to the United States. Indeed the Turkish and Persian Gulf theaters clearly have greater weight, in both economic and security terms, than does the Arab-Israeli one.

Iraq and Iran are especially problematic—the tar babies of American politics, snagging three presidents in a row. Jimmy

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Carter never recovered from the twin blows of the shah's fall and the U.S. embassy seizure. The Iran-contra scandal deeply wounded Ronald Reagan's presidency. Iraqgate and Saddam's retention of power more than vitiated George Bush's success in Operation Desert Storm.

No one knows the problems Bill Clinton will face. But the sooner he and other Americans shift their focus eastward, the better prepared they will be for whatever troubles lie ahead.

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ARABS AND ISRAELIS: SLOW WALK TOWARD PEACE

M. Graeme Bannerman

The New Framework for Negotiations

THE PURSUIT of peace in the Middle East has been a major item on the foreign policy agenda of every American president for the last quarter century. Over this time significant objectives have been achieved, including the 1974 and 1975 disengagement agreements and the 1978 Camp David accords. A comprehensive regional peace, however, has eluded and frustrated all who have pursued it. Therefore, when President George Bush announced a new Arab-Israeli peace initiative in March 1991, most observers viewed his proposal with understandable skepticism.

Taking advantage of changed international conditions and applying the lessons of previous Middle East peace negotiating experiences, the Bush administration initiated a process that altered the search for Middle East peace. The conference held in Madrid at the end of October 1991 established a new framework for continuing negotiations, replacing the 1973 Geneva conference as the benchmark for future discussions of Middle East peace. Despite Israeli and American elections, terrorist attacks and military raids, slow but significant progress was achieved, and the process begun in Madrid continued throughout 1992.

The ability of the Clinton administration to continue this process will have a significant impact on Middle East stability and, as a consequence, on American interests in the region. Those committed to negotiations are facing significant and growing challenges from those opposed. When the United States is not engaged in the search for peace, extremist forces gain strength.

Islamic extremists gain in appeal when the peace process appears stalled. Israel's decision in December 1992 to yield to

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public opinion and expel more than four hundred members of the Hamas faction of Palestinians only strengthens the hand of rejectionists. The more moderate Palestinians, as well as the PLO in Tunis, will steadily lose support if peace talks are seen as futile. Conversely, the ability of the Jordanians and the more moderate Palestinian leadership to continue negotiating will be limited by the growing influence of extremists.

The Clinton administration will be judged, in part, by how far it is able to advance peace in this tumultuous area.

Moderate Arabs: Breaking Away from their Past

CONDITIONS *in the Middle East after the 1991 Gulf* War were ripe for a new peace initiative. Those who traditionally rejected a negotiated peace—Iraq, Libya, Palestinians opposed to compromise, and others—were in disarray. The United States, moderate Arab states and the international community had inflicted a severe political and military defeat on those obstructionists. The importance of the military defeat is apparent. Equally important, but not as obvious, is the mechanism responsible for this defeat: the establishment of a moderate Arab coalition opposed to the Iraqi occupation of Kuwait. Under the sometimes not-too-subtle leadership of Egypt, a majority of Arab states united with non-Arabs to inflict a military defeat upon one of their own. The willingness of some Arab states to break away from the pack and act in their own interest was an important precedent, crucial to any successful peace negotiation.

In the past, peace initiatives foundered, in part because, with the notable exception of Egypt under President Anwar al-Sadat, no Arab state was willing to proceed without a consensus among all Arab states. The least compromising party set the pace of negotiations. More important, no benefit came to those who were willing to take risks for regional peace. Indeed frustration with the ability of an inflexible Syrian leadership to dictate the pace and direction of the peace process was a primary factor in President Sadat's decision to strike out on his own in November 1977 with his historic visit to Jerusalem. Egypt, however, suffered subsequent years of isolation from the Arab world by signing a peace treaty with Israel.

The most daunting task for the Middle East peace process is inducing the regional actors to abandon entrenched views. Doing so is always politically risky, but absolutely necessary, if

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differences are to be bridged. If the process is to be successful, Middle Eastern leaders must show leadership and take personal risks. The actions of many during the build-up to the Gulf War clearly demonstrated a willingness to do so.

The willingness of some Arab leaders to break with others on tactical issues has been crucial to the modest successes achieved during the peace process. This flexibility has allowed progress to be made in one area while avoiding other, more contentious issues. In almost unprecedented fashion one or more of the Arab participants has taken decisive action at crucial moments. At Madrid, Syrian unwillingness to commit to participation in future bilateral or multilateral discussions brought the future of the negotiations into question. After repeated efforts to bring the Syrians along, the Jordanians and Palestinians indicated they would join the discussions whether or not the Syrians did. The Syrians ultimately joined the bilateral negotiations but have not joined the multilateral forum.

"The willingness of some Arab leaders to break with others on tactical issues has been crucial to the modest successes achieved during the peace process."

Changes in the international balance of power accompanied favorable conditions in the Middle East. Since 1973 the United States has been the preeminent superpower with close ties to the most important regional military power (Israel), the most important economic power (Saudi Arabia) and the most important political power (Egypt). Ongoing Soviet-American rivalries, however, gave states in the region some room for maneuvering and provided an alternative source of military, political and economic support. The unraveling of the Soviet empire and the overwhelming need of Moscow to concentrate its energies on domestic issues eliminated the ability of Middle Eastern countries to maneuver between the superpowers.

By spring 1991 cooperation had replaced rivalry between the United States and the Soviet Union. This cooperation has been central to the success of the peace process. The co-sponsorship of the Madrid conference and the subsequent negotiations differed from co-sponsored conferences in the past. Previously the Arabs wanted the Soviets present in order to

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have a superpower on hand that would most likely support their position. At the very least, superpower rivalries allowed an Arab leader to play one off against the other. In the current process, however, close cooperation between Moscow and Washington has created additional pressure on the regional parties to address the issues. Therefore, dual sponsorship of the process evolved from an impediment to peace into a catalyst for successful negotiations.

Lessons of Peace Negotiations

TAKING ADVANTAGE of changed circumstances the State Department team, under the direction of Secretary James A. Baker, set forth in late 1991 to spark a Middle East peace process. They based their approach on a keen understanding of more than two decades of American experience in negotiating peace between Arabs and Israelis.[1] In applying many of the lessons they had learned, several factors became important.

First, the secretary of state must have the complete confidence of the president and there should be no difference in attitude between them. The Israelis in particular are able to exploit even the slightest divergence of views between American leaders. Although no president and secretary of state had ever been closer than President Bush and Secretary Baker, the Shamir government attempted in September 1991 to take advantage of a perceived difference over the provision of $10 billion in housing loan guarantees to Israel. The president quickly laid to rest any perception that he and his secretary differed. Their unified position served the process of peace well.

A second lesson concerns the diplomats' ability to work with Congress, which should be brought into the process through consultations. Detailed briefings on negotiating tactics are not necessary, but members of Congress need to feel that they are partners in the overall negotiating strategy. Congress is very cautious about inserting its views into ongoing negotiations. If an administration appears to have a clear course, then Congress as an institution is unlikely to undertake any action

[1]The U.S. Institute of Peace had assembled a group of former and current State Department officials in the spring of 1991 to examine lessons from fifty years of Arab-Israeli peace negotiating. *Making Peace Among Arabs and Israelis* (Washington, D.C.: U.S. Institute of Peace, 1991) was published as a result of those sessions, providing a road map for future peace efforts.

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that could be interpreted as undermining diplomatic efforts. Individual members may offer amendments, resolutions, bills or speeches that could be unhelpful to the process, but the institution rarely takes substantive action on international negotiations in progress.

The debate concerning loan guarantees for Israel clearly illustrated congressional reluctance to work against the administration and interfere in the peace process. In July 1991 few on Capitol Hill had doubted that, before the end of September, Congress would enact legislation providing loan guarantees to Israel. Issues about evaluating the budgetary cost of the loans, the reaction of constituents, and the acceleration of Israeli settlement activity in the territories occupied after the 1967 Six Day War were troublesome but would have been managed. The issue of loan guarantees, however, became an important element in the administration's effort to launch a peace process. Arab participation, particularly that of the Palestinians, would have been questionable if the United States was seen as providing huge loans to expand Israeli settlements in the territories. So long as Israel continued to build and expand settlements at a rapid pace, loan guarantees would have been perceived as American support for that activity.

On September 6, 1991, when President Bush announced that he would ask Congress to defer action on loan guarantees for 120 days, no formal challenge came from Congress. Although individual members said they would fight for the loan guarantees, they never forced a vote on the issue. Others sought compromises. Congress as an institution would not challenge the president on an issue having a direct impact on ongoing negotiations.

Another lesson learned was that important international actors who are not included in the process can divert the peace negotiations. In 1980, for example, the European Community's Venice declaration complicated the talks on the issue of Palestinian autonomy by injecting a European interpretation into already contentious negotiations. In order to avoid this problem, the EC, Japan and the United Nations have been included in the Madrid process.

The underlying strategy of the Bush-Baker approach was based on the lessons of their predecessors. They worked to create a situation in which no party could withdraw from the negotiations without appearing opposed to peace. In the past

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the process had failed because various parties to the conflict were allowed the opportunity to object to an element of a peace proposal without appearing to reject peace in principle. Secretary William P. Rogers' plan in 1970 as well as President Ronald Reagan's effort in 1982 are examples of such failures.

In order to avoid this problem, Secretary Baker obtained agreement on general negotiating principles during his eight visits to the region between March after the Gulf War and the Madrid conference in October. These principles were deliberately ambiguous and subject to the widest possible interpretation in order to allow each party to commit to the process without compromising its own position. They served as an umbrella under which all parties could agree to initiate a peace process.

These principles were included in the letter of invitation to the Madrid conference issued by Presidents Bush and Gorbachev. The main points were: direct bilateral and multilateral negotiations will follow a general conference; the conference will have no power to impose a solution nor veto decisions taken by the parties; the goal of negotiations between Israelis and Palestinians, who would be part of a Jordanian-Palestinian delegation, would be to reach an agreement on a five-year interim self-government arrangement followed by negotiations on permanent status; and negotiations between Israel and the Arab states will take place on the basis of U.N. resolutions 242 and 338. In addition, the American commitment to the process and previously articulated American positions were reportedly conveyed to each of the parties in separate but consistent letters of assurance.

Issues and Obstacles to Peace

EVEN UNDER these conditions, bringing all of the parties to the negotiating table in Madrid represented an unprecedented challenge. Determining the future of the West Bank and the parameters of Palestinian participation, and getting the Syrians and Israelis to attend a conference were the most difficult obstacles. The experience of previous efforts again served as a guidepost.

Concerning the future of the West Bank, the Camp David formula served as the basis for negotiations. A five-year interim agreement was to be negotiated. Subsequently, negotiations to determine the final status of the territories were to be undertaken.

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The form of Palestinian participation was more troublesome. Repeated efforts to find a formula following the signing of the Camp David agreements had failed. Because almost all Palestinians and Arabs recognized the Palestine Liberation Organization as the sole legitimate representative of the Palestinian people, Palestinians living within the occupied territories were unwilling and unable to represent broader Palestinian interests. PLO participation, however, was unacceptable to the Israelis. This conundrum was never solved, and as a result the Camp David process foundered in the early 1980s.

Since that time significant changes had occurred. The Palestinians within the territories, through the intifada and other actions, had made their voice heard in determining their destiny. At the same time, Israeli settlement activity was in the process of changing reality on the ground. The Palestinians faced the prospect that they might not have anything left to negotiate if they waited. In addition PLO leadership had been greatly weakened militarily by its expulsion from Lebanon in 1982 and politically during the Gulf War. By siding with Saddam Hussein they had lost the support of the majority of Arab states, including their primary financial backers.

"The Palestinians faced the prospect that they might not have anything left to negotiate if they waited."

Both internal limitations within the Palestinian movement and external requirements imposed by Israel ultimately shaped Palestinian participation in the peace process. PLO leaders found themselves challenged by those opposed to any negotiated settlement, including Hamas, the Palestinian Front for the Liberation of Palestine and the Democratic Front for the Liberation of Palestine. On the other hand, West Bank leaders pressed hard for Palestinian participation in the negotiations.

The Israeli government insisted that no one from the PLO, the Palestinian diaspora, Jerusalem or members of the Palestine National Council (PNC) could represent the Palestinians. Furthermore the Israelis demanded that the Palestinians participate as part of a joint delegation with the Jordanians. From the Israeli perspective a compromise on these points would enhance Palestinian standing and weaken the Israeli position. In the end the Palestinians agreed to par-

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ticipate under those conditions that they had previously rejected. To maintain their own position, Palestinians from East Jerusalem, the diaspora and those closely associated with the PLO served as advisers to the joint delegation and conferred regularly with the PLO leadership. By taking this approach the Palestinians benefited greatly by being able to negotiate directly with the Israelis in an international peace conference.

The Syrians and the Likud government in Israel were least anxious to participate in the peace process. Secretary Baker spent most of his visits to the region in 1991 persuading both governments to join. The Syrians had never participated in direct political negotiations with the Israelis. In 1949 U.N. envoy Ralph Bunche had mediated between the Israelis and Syrians at Rhodes. In 1974, when Secretary of State Henry Kissinger conducted his shuttle diplomacy to arrange the disengagement of forces in the Golan Heights, Syrian and Israeli military representatives signed the agreement in the Egyptian-Israeli working group.

The changing balance of regional forces following the Gulf War made it difficult for Syria to remain outside the process. The Israelis had overwhelming military strength, and Syria's Arab allies in the Gulf War were pushing hard on Syria to participate in the negotiations. By remaining aloof, Syria risked losing the financial support of the Persian Gulf states. In addition, the Syrians faced their most difficult international challenge in decades: their superpower sponsor, the Soviet Union, was in a state of collapse. Military support from the Soviets like that received in 1973 was unthinkable, as was rapid resupply of modern military equipment as occurred in 1974 and 1982.

"The Syrians, of all the parties in the process, are under the least pressure to conclude a peace quickly."

In 1991 the United States was clearly the only superpower, and President Bush had displayed a willingness to use overwhelming force where American interests were at stake. Syria came to realize that under these changed circumstances it needed good relations with the United States. Furthermore the Syrians perceived President Bush and Secretary Baker to be more sensitive to Syrian concerns than previous American leaders. Bush and Baker were also seen as

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willing to stand up to the Israelis, as was demonstrated by the president's decision not to provide loan guarantees so long as Israeli settlement activity continued unabated. In the final analysis, abstention from the process was riskier for Syria than participation.

The Syrians, of all the parties in the process, are under the least pressure to conclude a peace quickly. They entered the process because in so doing they would strengthen their international position and move back into the mainstream of the Arab world. Their goal appears to be reclaiming all the Golan Heights while also achieving an Israeli withdrawal from Lebanon.

After the electoral defeat of the Likud bloc in June 1992, the extent of Prime Minister Yitzhak Shamir's reluctance to become involved in an international peace conference became apparent. The defeated premier stated publicly that his intention had been to drag out the talks with the Palestinians while changing the facts on the ground. Shamir stated frankly, "I would have conducted the autonomy negotiations for ten years, and in the meantime we would have reached half a million souls in Judea and Samaria."

Several concerns formed the basis of Likud's distrust of the American-sponsored peace process. First, the process would require Israel to make the more tangible concession of land for the less tangible concession of peace. Second, an international conference would produce a situation in which a large number of participants would be aligned against an isolated Israel. The Israelis would be dependent on Americans, and American views differed significantly from Likud's plans. The Americans, for instance, believed that a settlement under U.N. resolution 242 would require the Israelis to withdraw on all fronts. In contrast the Likud believed the withdrawal from Sinai satisfied the territorial requirements of resolution 242. Their policy was, in fact, creeping annexation. As a result, negotiations under U.N. resolution 242 as envisioned in the Camp David accords were unlikely to lead to a settlement that the Shamir government and its supporters would want. Even the American views as articulated in September 1982 by President Reagan, the best friend Israel ever had in the White House, were unacceptable to the Shamir government.

Despite these strong reservations about the Bush-Baker peace process, Israeli refusal to participate would have been very costly. The Shamir government had to be certain that

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entering the process did not prejudice its interests, including preserving Israel's claim to the occupied territories. The Israelis made significant gains during the negotiations leading to the Madrid conference. They reestablished diplomatic relations with the Soviet Union. They made no concessions on the issue of Palestinian representation and obtained de facto recognition from a majority of Arab states that agreed to negotiate with Israel. And they were able to continue settlement activity in the territories. For example, Israeli Housing Minister Ariel Sharon announced two new settlements as the Madrid conference concluded.

Nevertheless the cost to the Shamir government was considerable. A process, the outcome of which was beyond the control of any of the participants, had been initiated. The Likud settlement policy and the refusal of President Bush to support loan guarantees so long as Israeli settlement activity continued highlighted the strong differences with the United States. Underlining those differences was not in Israel's interest. Ultimately, this confrontation contributed to Likud's defeat at the polls in June 1992.

Madrid: Changing the Political Equation

THE MADRID CONFERENCE was the pivotal event that the United States had envisioned while developing a post-Gulf War strategy. The conference fundamentally altered relations between Arabs and Israelis. Even if the current round of negotiations fails, the Madrid meeting has set a precedent for all subsequent negotiations. Israel, Syria, Lebanon, Egypt and the Jordanian-Palestinian delegations attended a conference sponsored by the United States and the Soviet Union. In addition, participants included the Saudi ambassador to Washington, Prince Bandar bin Sultan, and representatives from the Gulf Cooperation Council, the Arab Maghreb Union, the EC, Japan and the U.N. secretary general. By opening the meetings, Presidents Bush and Gorbachev dramatized the importance of the conference.

No new positions were articulated at Madrid: each participant delivered a recitation of standard views. The Israelis and the Syrians were particularly strident, while the Lebanese and the Jordanians were more conciliatory. Despite the lack of substantive progress, Madrid initiated a process that none of the participants believed wise to abandon.

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The framework for negotiations called for bilateral discussions between Israel and Syria, Israel and Lebanon, and Israel and a joint Jordanian-Palestinian delegation. Eight sets of bilateral sessions had taken place by the end of 1992. Moreover, five multilateral groups were established to discuss arms control and regional security, water, economic development, the environment and refugees. The multilateral groups have met twice, once in the spring of 1992 and again in the following fall. The United States, Russia, Canada, Japan and the EC hosted the various multilateral meetings in Washington, Moscow, Ottawa, Tokyo and The Hague.

Negotiations have thus been initiated on separate fronts. Progress has been painstakingly slow. Many of the early sessions were spent trying to determine who should attend, what the agendas should be, and the venue and timing for the next meeting. Israel delayed the first set of bilateral discussions. Israelis also refused to attend the first round of multilateral discussions on economic and refugee affairs because they would not accept the Palestinian representatives sent to the meetings. The Syrians and the Lebanese have not attended the multilateral meetings because they do not believe sufficient progress has been made in the bilateral discussions.

Despite these setbacks the Madrid process developed its own momentum. Negotiators from the various countries began to develop a feeling for the other side. Psychological barriers slowly eroded. The process of engagement became as important as the substance. Israelis and Syrians meeting face-to-face regularly for more than a year significantly changed the political environment in the Middle East.

An Evolutionary Process

THE GENIUS of the current process is that it is evolutionary. Long-held views are being gradually reshaped. Differences are being narrowed, albeit at times at an imperceptibly slow pace. The slow pace, however, is important because it allows national leaders to prepare public opinion for change. Furthermore, despite the slow pace, significant changes have occurred throughout the year. With regard to the future of the occupied territories, the Israelis are now not only discussing functional authorities of the interim government, but are also discussing its territorial component.

The negotiators are no longer reciting set positions and

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shutting out their interlocutor's views. They are now talking to each other. In a major breakthrough, the Syrians and Israelis are now discussing issues of trading land for peace. Yet major obstacles remain. The Syrians are interested in discussing full Israeli withdrawal, while Israelis prefer to concentrate on the nature of peace and the normalization of relations.

Because the negotiations are occurring in separate sessions, impediments to progress in one area do not block progress in others. Conversely, progress in one area actually spurs action on the others. In the bilateral negotiations, each of the Arab parties is concerned that one of the others will negotiate a separate peace with Israel. Because of the independence of each of the Arab negotiators, the party least willing to compromise cannot set the pace of negotiations. Consensus among the Arabs is not a prerequisite for discussions.

While serious issues have yet to be addressed, progress can be seen in several areas. The Israelis have clearly modified their position concerning the Palestinians. While technically the Palestinians are part of a joint delegation with the Jordanians, in fact the Israelis meet them separately. Each session has a separate agenda. The Israelis have also relaxed their position on which Palestinians can participate. The issue of PNC membership has been diluted by accepting an American formulation that membership in the PNC occurs only while an individual attends a PNC meeting. Diaspora Palestinians have been allowed to attend the multilateral economic and refugee sessions although the Israelis had boycotted the spring meetings over this issue. In December 1992 the Israeli Knesset took the first step toward passing a bill that would lift the ban on meetings between PLO officials and Israeli citizens—one more indication that Israeli attitudes toward the Palestinians are changing.

The durability of the process is its most impressive attribute. Israeli elections, American elections, terrorist attacks, Israeli air strikes and arms sales to the region—none have derailed the peace process. Sessions continue to take place and slow evolution continues. In the past any one of a half dozen incidents that have occurred would have slowed if not ended the negotiations. The resiliency of the current process to external disruption is unique in the history of Middle East peace efforts.

Israeli elections in June of a government led by the Labor Party gave real life to the process. Israel under Shamir and

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Likud was resistant to the change necessary for peace. Israel led by Yitzhak Rabin and Labor is a catalyst for necessary change.

Rabin reiterated the historical Labor Party stance on the settlements: Israeli positions along the Jordan Valley, on the Golan, and protecting the approaches to Jerusalem are necessary for security. Other settlements, however, are called political. Likud, particularly under Sharon's leadership, had supported settlements that changed the political balance in the territories. The Rabin government canceled contracts for 6,681 housing units, limited future growth to "security installations," and canceled special mortgages and loans that had been made available to settlers occupying residences in East Jerusalem. President Bush responded to this new Israeli position by urging Congress to proceed with the approval of loan guarantees for Israel.

The Rabin government made significant concessions in several other negotiating areas. Prime Minister Rabin shifted from Shamir's preference for Palestinian municipal elections to a new policy supporting general elections. The new Israeli government appears to support the view that U.N. Security Council resolution 242 does indeed apply to all fronts, including the Golan Heights. Rabin has worked to lead Israeli public opinion to perceive the benefits of peace as well as the need for additional concessions. Rabin has already visited Cairo—which Shamir never did. Egyptian Foreign Minister Amr Moussa's visit to Jerusalem was the first high-level visit since Israel invaded Lebanon in 1982. These exchanges of visits with Egypt have underlined the importance of the Egyptian-Israeli peace treaty and the potential for good relations between Israel and an Arab country. Rabin has also visited settlers on the Golan and has apparently indicated that negotiations would determine its future.

The Arabs responded to the Rabin initiative by presenting their own approach. The Syrians placed on the table a draft declaration of principles. While it clearly did not meet Israel's minimum needs, the Israelis engaged in discussions on the basis of the draft. An agenda for future talks was established. Each side appears to understand the needs of the other. However, neither has yet been willing to negotiate on a basis that would include full peace and full military withdrawal. The Israelis have not accepted the Syrian view that full withdrawal from the Golan is a possible outcome of this approach.

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Conversely the Syrians have not accepted the Israeli view that full peace is a possible result of the negotiations. Resolving this difficulty remains the primary impediment to beginning detailed negotiations on substantive issues.

The Jordanians offered a surprisingly forthcoming agenda during the October 1992 bilateral meetings. Most observers considered this agenda to be an outline for a future peace treaty. Among its new points were: outstanding territorial issues will be settled by the demarcation of international borders; the issue of Palestinians in Jordan will be settled according to international law; security concerns of each party will be addressed; and agreement on the principle that these negotiations will be concluded in a peace treaty. If the issue of the future of the Palestinians and the West Bank could be set aside, few doubt that Jordan and Israel could resolve their differences expeditiously.

The Israeli-Palestinian discussions were expected to address substantive issues from the beginning. They have failed to live up to those expectations. Three years of negotiations following Camp David had made significant progress on defining the powers and responsibilities of the interim self-governing authority. Although the discussions had been suspended for nearly a decade, many anticipated that the agreements reached at that time would serve as a basis for current negotiations. This did not occur.

The Israelis and the Palestinians offered separate and widely differing approaches, and they have yet to agree on how to proceed. The Israelis do not want an interim self-governing authority that would inevitably lead to an independent Palestinian state in the West Bank and Gaza. Therefore they approach autonomy by starting from an empty page and measuring out authorities to the self-governing authority one by one. In contrast the Palestinians want an interium self-governing authority inevitably leading to an independent state. Therefore, they start from the position that all authorities except defense and foreign affairs should be given to the authority straightaway.

America and the Elusive Peace

THE AMERICAN election has inhibited the peace process. None of the parties appears willing to enter substantive discussions without a better understanding of the views of the incoming American administration. This attitude

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emphasizes the importance of the American role. Yet for the first time, Arabs and Israelis are negotiating directly, as the United States goes through the process of changing administrations. While no one would want to see the process halted and an opportunity for peace lost, keeping the process going will not be easy because conditions necessary for its continuation will not last indefinitely.

"None of the parties appears willing to enter substantive discussions without a better understanding of the views of the incoming American administration."

The personalities and commitment of President Bush and Secretary Baker were crucial to the Madrid meetings and will be difficult to replicate. President Bush had personal ties with regional leaders that were developed over the course of several decades. Relationships between the American leaders and those in the Middle East developed further in the crucible of the Gulf War crisis and were strengthened in the following months.

With these strong personal ties, considerable trust had developed. Trust in the fairness of the Americans is vital for a successful peace negotiation. In order to reassure Middle Eastern leaders that the necessary risks are worthwhile, the international community and particularly the Americans will have to give assurances. The weight given to American assurances will be directly tied to how much American leadership is trusted.

Commitment of time and effort by the Americans was essential to the success of Madrid—at the presidential and secretary of state levels. More U.S. government officials are involved in preparing, conducting and monitoring the current bilateral and multilateral negotiations than have participated in previous peace efforts. Middle Eastern leaders will be watching carefully to see if the new administration has the same commitment. If not, it is unlikely progress will be made.

The new administration will also have to change the nature of the American role. To date, American officials have generally watched as the participants have met. In the bilateral negotiations, Americans are not even in the room. As the negotiating parties begin to grapple with substantive issues, the Americans will have to be more assertive in helping the parties

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resolve differences. In short, the next phase of the peace process will require an even greater degree of American participation and commitment at a time when a new administration will be least prepared to take on such a role.

The Clinton administration faces a serious dilemma. Keeping the Middle East peace process moving forward will be distracting, time consuming and frustrating. Moreover prospects for success are uncertain. Failure to move the peace process forward, however, is likely to be costly to American interests. Advancing the cause of peace in the Middle East thus represents, whether the new administration chooses to become fully engaged or not, one of its greatest challenges.

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THE GLOBAL ECONOMY BUNGLED

Alan Murray

Perception of Decline Troubles America

"WHO AM I? Why am I here?" So went Vice Admiral James Stockdale's surprisingly existential outburst in his slightly more than fifteen minutes of fame as a vice presidential candidate. But the comment could just as easily have issued from the entire nation, which was suffering last year from a collective identity crisis. With the Cold War over, the United States had become unsure of its place in the world. And its two major industrialized partners, Europe and Japan, were both suffering from a loss of purpose as well. The result was a year of confusion and drift in the management of the international economy.

The numbers were bad enough. Economic growth in the industrialized countries crept ahead at a sluggish 1.5 percent pace in 1992—not enough to keep unemployment from rising. The jobless rate in the countries of the Organization for Economic Cooperation and Development averaged 7.9 percent over the year and was projected to creep up to 8.2 percent in 1993.

But the debilitating problem was less one of production than of psychology. In the United States, in particular, the mood was extraordinarily sour, as Americans developed a gloomy foreboding, not seen since World War II, that their nation was caught up in an inexorable process of economic decline and that their children's generation would not live as well as they had.

Polls early in the year by *The Wall Street Journal* and NBC News found that 66 percent of voters felt that the United States was "in a state of decline." Most said they feared the next generation of Americans would not live as well as the current one. And 72 percent rated Japan as a stronger economic power than the United States. But the most stunning measure of America's pessimism came when respondents were asked to rank America's relative economic power: only 17 per-

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cent of voters still believed the United States was the world's leading economic power, and an astounding 43 percent believed it was not even in the top tier.[1]

To be sure, these perceptions are not justified by the facts. By almost any measure that makes sense, the United States continues to lead the world in economic output, productivity and living standards. The dismal picture of U.S. economic standing that dominates public consciousness—and which was reinforced last year by presidential candidate Ross Perot's gloomy "infomercials"—is exaggerated. And the notion that the next generation will not live as well as the current one has little grounding in either history or logic.

But perception is a reality of its own. And it was these sorts of perceptions that shaped political and economic developments for the United States and its major allies in 1992. Uncertain of its own standing in the world, the United States was in no position to meet the need for global leadership in either trade or finance. And consumed with post-Cold War identity crises of their own, neither Europe nor Japan could fill the gap. Global trade talks faltered, and the Group of Seven (G-7)—intended to be a kind of board of directors for the world economy—proved powerless to influence the course of events.

Baby Boom Expectations Go Bust

THE AMERICAN identity crisis is rooted in attitudes of the baby boom generation, which by its very size has come to dominate the nation's culture. Economic progress was something baby boomers grew up taking for granted. A house, two cars in the garage, a color television and a kitchen full of appliances were standard equipment, and the notion of a steadily rising living standard was considered a birthright.

Baby Boomers were the Donna Reed, "Leave It to Beaver" generation. Unlike their parents, who were raised in the depression, they were optimistic about their economic futures. Their only real source of collective insecurity was rooted not in economics but in global politics. Products of the Cold War,

[1]Respondents were asked, Which one of the following statements do you think best describes America's economic position? America is the number-one economic power in the world today... 17 percent; America is one of a few, about equal, major economic powers... 37 percent; America is a major economic power, but not one of the leaders... 32 percent; America is no longer a major economic power... 11 percent.

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they recall their years in grade school participating in civil defense drills. And while global communism and the bomb posed the greatest threats to their future, those fears also provided them with an odd source of national identity and purpose. The United States was the great shining light of freedom in the world, the pinnacle of capitalism and democracy, the antidote to communism.

Then, almost overnight, that identity disappeared. Communism proved its own antidote, and the United States was left to search for a new self-definition. Spurred on by recession, the baby boomers took a hard look at what had been happening to the U.S. economy, and what had been happening to their own earning power and living standards. And they did not like what they saw.

Since 1973 the productivity of American workers—which galloped along at a three percent annual rate of increase in the 1950s and 1960s—has slowed to one percent. With productivity growth down, wages have stagnated. The average hourly earnings of the nation's workers, adjusted for inflation, have actually declined. Living standards rose during the period, but primarily because more and more families sent a second wage-earner into the workforce, and because consumers increasingly relied on debt to pay for what their incomes could not buy.

The gap between what has happened over the last 20 years and what might have happened if the productivity of American workers had continued to move ahead at a three percent rate was graphically illustrated by economist Robert Solow at President-elect Bill Clinton's economic conference in December. In the 1950s and 1960s, he explained to the group gathered in Little Rock, family income rose fast enough to double in just about 30 years. In the 1970s and 1980s, it slowed to a pace at which it would take about 200 years to double family income.

"The U.S. standard of living is very good," the economist told the president-elect. "It's staggeringly good compared with most of the rest of the world. But people are more optimistic, more generous, more confident when family income is rising at a decent pace. When incomes stagnate, there's always fear of trouble around the corner."

It was that fear of trouble around the corner that came to the fore last year. The United States turned inward. And the enlightened national self-interest that had led to the creation of institutions like the General Agreements on Tariffs and

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Trade and the G-7 became twisted into a less generous, less enlightened mindset that looked for new ways to subordinate international economic arrangements to satisfy the nation's economic insecurity.

Mission To Tokyo

NO INCIDENT PROVIDED a more glaring illustration of America's economic problems than President Bush's trip to Tokyo in January. Originally scheduled to occur two months earlier, the trip was designed by Secretary of State James A. Baker as a way to cement the "global partnership" that he had promised the Japanese since the early days of the Bush administration. In the New World Order sketched out by Baker strategist Bob Zoellick, the U.S.-Japan relationship was to be a critical part of the structure that would keep the world on the road to peace and prosperity. But having watched the Bush administration focus its foreign policy first on events in eastern Europe and the Soviet Union and then on the Middle East, the Japanese understandably worried that the partnership was more rhetoric than reality. The president's trip to Tokyo was intended to be a grand gesture finally to deliver on the promise of a closer working relationship.

As signs of a U.S. economic recovery flickered out in the fall of 1991, and as the nation's economic pessimism deepened, the purpose of President Bush's trip changed. It had been postponed at the suggestion of White House Chief of Staff John Sununu, who belatedly decided that the president needed to be at home tending to domestic problems. By the time the trip resurfaced in January, on the eve of the presidential primary season, it had been transformed from a broad-minded diplomatic junket into a mercantilist trade mission. At the urging of Commerce Secretary Robert Mosbacher, the president invited a planeload of businessmen to join him, including the chairmen of the Big Three auto companies, who have increasingly drifted toward trade protectionism in recent years. Talk of

"President Bush became a super trade negotiator—not because it suited his instincts, but because it suited his nation's mood."

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global partnership was pushed into the background. Instead, President Bush became a super trade negotiator—not because it suited his instincts, but because it suited his nation's mood.

Some analysts were quick to defend the president's decision to travel with chief executives and focus on trade, arguing that the leaders of other nations—including Japan—do the same on a regular basis. Still, for the leader of the free world to travel to Tokyo with his nation's businessmen in tow was a jarring sight. This was not a leader with a vision of a New World Order; it was merely a man out to make a buck for his country. The Japanese newspapers ran cartoons portraying the U.S. president as a street vendor with a table full of trinkets. "It demeans the presidency for him to act like a car salesman," complained Reagan economic adviser William Niskanen, now chairman of the libertarian Cato Institute.

Having popped their speculative bubble of stock and real estate prices, the Japanese finally suffered the unpleasant side effects in 1992. In the past, the growth-addicted Japanese had used the word "recession" whenever their torrid expansion rate slowed below 3 percent. But last year a true Western-style recession hit, shrinking the national economy by 1.6 percent in the second quarter.

In an effort at self-delusion, Japan's economic planning agency continued to predict 3.5 percent economic growth in 1992 right through the end of the year, but almost everyone recognized the projection to be far from reality. The slowdown did prompt the Japanese government to do what U.S. officials had been urging for several years—adopt a huge public works program to stimulate the economy. But it also left Japan, like the United States, in a state of self-doubt, and in no position to step up to a leadership role in the world.

The Collapse of EC Coordination

THE UNITED STATES and Japan were not alone, of course, in their angst over their places in the post-Cold War world. Germany was suffering through an even more severe trauma, driven by its determination to integrate its east and west. The cost and difficulty of that undertaking proved to be far greater than the Germans had ever expected, with an estimated 170 billion deutsche marks transferred from west to east over the course of the year. Much of that cost was financed through public borrowing, with the deficit rising to

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more than three percent of the nation's output.

But the biggest fears arose from immigration from the east—and the prospect of even more—and inflation, which has continued to frighten Germans since the days of the Weimar republic. Inflation crept steadily upward to near five percent, a worrisome number for the Germans, and the trend was reinforced by steadily rising wages. In western Germany wages were increased at an average 5.5 percent rate, and in the east demands for wage parity pushed wages to 60 percent of western levels—even though east German productivity is only one third the level in the west.

Bundesbank President Helmut Schlesinger is often portrayed as the villain in the collapse of international economic coordination last year, but under the circumstances of rising prices and wages, and given the German obsession with controlling inflation, he had little choice but to raise interest rates. As German rates rose, other European nations were forced to follow suit in order to keep their currencies in line with the mark.

At the world economic summit in July the G-7 heads of state attempted to pressure Schlesinger into easing his tightfisted stance. They adopted a communique filled with laudatory language about the importance of stimulating growth. But as if to prove that G-7 summits have deteriorated into meaningless exercises, Schlesinger turned around shortly after the meeting and raised rates once again. By September the German Lombard rate had reached an extraordinary 9.75 percent—a 61-year high. Other European nations were forced to struggle to keep up the pace, as market traders began betting on the inevitable breakdown of the European currency system. In Sweden, overnight interest rates were pushed to an astonishing 75 percent.

"...coordination—the purpose of which is to deal with problems before the crisis hits—had failed dismally."

Finally, in mid-September, the system broke. Britain and Italy both pulled out of the European exchange rate mechanism and, in response to pressure, the Bundesbank's Schlesinger finally agreed to a very stingy cut in interest rates. U.S. Treasury Undersecretary David Mulford employed great

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twists of logic in order to hail the Bundesbank's belated move as a sign of the triumph of economic coordination. But in fact, coordination—the purpose of which is to deal with problems before the crisis hits—had failed dismally.

Flagging EC Stalls Trade Talks

THE EFFORT to bring global trade talks to a successful conclusion was equally unproductive. At the Munich summit the United States found its efforts to negotiate a reduction in farm subsidies met by a wall of European resistance. France was the main source of the problem, but other European nations lined up behind it. President Bush made what summit-watchers called a surprisingly timid effort to break down their resistance.

The trade disagreements were aired at a dinner for G-7 foreign ministers at the baroque Nymphenburg Castle, with an emphasis on how to cut agricultural subsidies in a way the Europeans could accept. At one point the Europeans appeared close to agreeing on a target figure for reducing farm exports. But when Secretary of State Baker turned to French Foreign Minister Roland Dumas and asked, "Are the French ready to move?" Dumas replied curtly: "No." "Even if you get all the concessions you are asking for?" Baker followed. "No," Dumas said again.

The European reluctance to come to agreement on the trade talks in part reflected the crisis going on within the European Community itself. The optimism about European unity that infected the European economy in the late 1980s had disappeared by 1992, replaced by growing concern and pessimism. The Maastricht treaty had called for an unprecedented degree of coordination among the European countries, but it became clear that the leaders who negotiated that treaty had lost touch with their own constituents, who were growing increasingly wary of the notion of European integration.

With such problems at home, European leaders could scarcely afford generous diplomatic gestures overseas. At the Munich summit, French President François Mitterrand said that President Bush "represents the interests of a great country, a great power in the world," but that "as for me, I represent the interests of France, which are not necessarily the same."

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Reviving America's Confidence to Lead

ECONOMIC AND POLITICAL conditions conspired to make 1992 a bad year for global economic management. Recession, election and a number of one-time problems contributed to the tendency in the United States, Europe and Japan to look inward. Because those conditions are temporary, there is reason to expect better days ahead.

But there is also a fundamental question about the future that the United States and its major allies must answer. It was posed eloquently by World Bank economist Lawrence Summers in his presentation to President-elect Clinton's economic conference. "The Cold War is the third war to have ended in this century," Summers said. "After World War I, there was no leadership. Nations turned inward. There was no effort to rehabilitate and reintegrate the vanquished power. There followed 20 years of stagnation, depression and ultimately the Second World War. After World War II, things were very different. The United States led. The world economy grew together. Enlightened policies—the Marshall Plan—sought to rehabilitate and reintegrate the vanquished powers. And there followed the best 40 years of economic growth in the history of the world.

"Now, the Cold War is over. Will the unhappy post-World War I experience play out or will the happier post-World War II experience play out? That is the question that will be answered in the next four years."

"...Clinton will first have to restore the confidence of Americans in their own country and its economic abilities."

In one sense, the election of Bill Clinton gives cause for hope. By instinct, he is an internationalist and a free trader. And his triumph in the 1992 election was a sign that protectionism and isolationism still do not sell in America.

In the Democratic presidential primaries, the candidates who peddled protectionism did surprisingly poorly. Senator Tom Harkin of Iowa, who was the most protectionist of the Democratic field and had a populist style on the stump, failed to capture any significant support. And Senator Bob Kerry of Nebraska still considers the vaguely protectionist television

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advertisement he ran in New Hampshire—comparing world trade to a hockey game and suggesting that the United States needs a stronger defense—as one of the big mistakes of his short-lived campaign.

Jerry Brown, who outlasted Harkin and Kerry, thought he could beat Clinton in Michigan by attacking the North American Free Trade Agreement. But even in Michigan, where taking a sledgehammer to foreign cars was once considered a local pastime, Clinton triumphed. And on the Republican side, despite the widespread disillusionment with President Bush, Patrick Buchanan's hard-edged "America First" campaign never caught on.

But Clinton also ran on a campaign that gave little attention to the rest of the world. Once elected, he appointed a deputy director for veterans affairs before making his first foreign policy appointment. He is surrounded by advisers and Democratic legislators who urge him to "redefine" America's relations with the world by making international institutions serve more directly the domestic needs of the United States. His commitment to GATT is unclear. Clinton's Treasury Secretary, Lloyd Bentsen, comes to his job lacking in the international credentials of a man on whom the world will depend for reinvigorating global economic management.

There is, however, a paradox in the current global environment. Only the United States is in a position to lead. Events of 1992 made clear that it may be a decade—or even decades—before Europe has sorted out its internal problems and can turn its attention to world affairs. And Japanese economic problems have set that nation back even farther on its long road to assuming a global leadership role.

But the United States can lead only if it sees itself as a leader. As long as Americans view themselves as being in a state of decline, or as a second-tier power, they will not provide support for the kinds of policies necessary to keep the world economic and financial systems strong. As president, Bill Clinton will first have to restore the confidence of Americans in their own country and its economic abilities. He must give the nation a new identity to replace the one it lost with the end of the Cold War. Only then can he expect to provide the economic leadership that the world desperately needs.

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DANGERS OF SLOW GROWTH

Leonard Silk

Global Productivity's Long Decline

SLOW GROWTH of the world economy and rising unemployment in the industrialized world—along with the end of the Cold War, which once bound together the capitalist countries of North America, Europe and Asia—have given new life to nationalism, regionalism and protectionism in various quarters of the globe. Combating the persistence of slow growth must be a priority for the new American president and other leaders of the developed nations.

As he ponders remedies, President Clinton starts from a shaky base. The U.S. economy he inherits experienced the slowest growth of the postwar period—an average of 1.2 percent per year over the last four years. The economy began to recover from recession in mid-1991, but so slowly that most voters felt the recession was still on and rejected President Bush's bid for a second term. Governor Clinton's campaign was built on his pledge to "get the economy moving again," a theme borrowed from the 1960 campaign of John F. Kennedy. But the 1990s are not the 1960s; despite somewhat faster growth in the latter part of 1992, the U.S. economy is still hampered by deep structural problems and a global recession.

America's role in the new world economy has changed. Though still the largest national economy in the world, the United States is not the single dominant power it was at the end of World War II. The economic strength of Japan and other Pacific rim nations and of the European Community makes it unlikely that this nation will hold that position again.

The current global economic slowdown has been the most painful and protracted of the postwar era. The growth rate of the industrial countries has come down from 4.4 percent in

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1988 to 3.3 percent in 1989, 2.6 percent in 1990, 0.9 percent in 1991, and 1.7 percent in 1992—too slow to keep pace with the growth of the labor force. Unemployment has risen above ten percent in most of Europe and in Canada, and above seven percent in the United States.[1]

The combined growth rate of the "economies in transition"—the former Soviet Union and eastern Europe—fell from 4.5 percent in 1988 to 2.3 percent in 1989. It then went negative, plummeting by five percent in 1990, 15.9 percent in 1991, and 12 percent in 1992—a decline of one-third of total output in three years, a steeper decline than any country or combination of countries suffered in the Great Depression of the 1930s. Systemic collapse in the East has aggravated problems in the West—especially the huge influx of immigrants to western Europe, a flood that may not yet have reached full tide.

The economic slowdown of the West did not begin with the collapse of the Soviet empire, the end of the financial boom of the 1980s or the 1987 stock market crash. Rather it started two decades earlier with the beginning of a persistent decline in productivity, whether measured either by output per worker hour or total factor productivity.

The trend stands out in the data for the "big seven" members of the Organization for Economic Cooperation and Development: the United States, Japan, Germany, the United Kingdom, Italy, France, and Canada. The annual growth of U.S. gross domestic product per capita dropped from an average of two percent in 1955–73 to 1.3 percent in 1973–86. In the same two periods, Japan's per capita GDP growth fell from 8.8 percent to 3.3 percent, Germany's from 4.2 percent to two percent, and the combined rate of the other four members of the big seven from 3.8 percent to 1.7 percent. One may argue about the precise measures but not about the overall downslide of productivity growth that has been going on for two decades.

Lingering Impact of Oil Shocks

WHAT CAUSED the productivity slowdown? Economists are still unsure. Their principal explanation, especially because of the timing, is the oil shocks of 1973 and

[1]Figures here are taken from *World Economic Survey*, United Nations, New York, 1992, p. 1.

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1979. Other leading suspects are an asserted greater rigidity of national economic systems, a falloff in the growth of new knowledge and technology, and tax systems (especially that of the United States) that favor consumption, discriminate against saving and retard investment.[2]

Low savings and investment rates, it seems evident, have weakened America's productivity growth and overall economic performance. In the 1980s America's net national savings rate fell from about eight percent of national income in the preceding three decades to less than three percent, because of large federal deficits and lower private savings. Proportionally the United States saves far less as a nation than any other major industrial country. In the past decade America's net savings rate averaged about one-fifth that of Japan and about one-third that of Germany and the Group of Seven (G-7) as a whole. This shortage of savings has not only constrained American growth but has also severely limited the capital the United States can supply to developing countries or the ex-communist states struggling to build market economies and effective democracies.

The economic slowdown has deep political roots. The oil-price inflation of the 1970s and early 1980s was triggered by Arab states using oil as a weapon against Western importers following the 1973 Arab-Israeli war, and then by the Ayatollah Khomeini's Iranian revolution in 1979. These were what economists call exogenous shocks to the economic system.

"In the past decade America's net savings rate averaged about one-fifth that of Japan and about one-third that of Germany..."

But the oil shocks were also endogenous. They were linked to changing market conditions—that is, to growing Western dependence on Middle Eastern oil, to economic boom and worldwide commodity-price inflation kicked off by the escalation of the Vietnam War and the Johnson adminis-

[2]See articles by Zvi Griliches, Dale W. Jorgenson, Mancur Olson and Michael J. Boskin in "Symposium on the Slowdown in Productivity Growth," *The Journal of Economic Perspectives*, Fall 1988, pp. 9–97; and Martin Neil Baily and Robert J. Gordon, "The Productivity Slowdown, Measurement Issues, and the Explosion of Computer Power," *Brookings Papers on Economic Activity*, 1988, pp. 347–431.

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tration's dilatory fiscal policy. President Johnson's unwillingness either to curb domestic spending by gutting Great Society programs or to demand a tax increase to finance the war—as well as his desire to push for economic growth—all helped prompt global inflation.

Excess fiscal and monetary stimulus on the part of other developed countries also contributed to the worldwide commodity boom. Inflation worsened the terms of trade of Third World and Middle Eastern producers, setting the stage for the first round of oil-price explosions. Rising oil prices fueled general inflation and forced the developed countries to adopt the tight monetary and fiscal policies that would in turn intensify the investment, productivity and output slowdowns of the 1970s, 1980s and 1990s.

In the 1980s the effect of the oil price explosion on productivity growth gradually wore off; industrial nations, some faster than others, adjusted to higher oil prices, and the *relative* world oil price came down. Nevertheless the slow rate of productivity growth continued. Hence, the causes of continuing slow growth in the late 1980s and early 1990s must lie elsewhere.

Deflating "Bubbles" Slowed Growth

SPECULATIVE FEVER gripped stock markets and real estate markets in the 1980s and caused a global wave of mergers and acquisitions. Rapid growth of the global financial markets and a "less government" political climate that reduced financial and antitrust supervision and regulation combined to produce "bubbles" in economies around the world. Lest the bubbles burst, governments and central banks decided to let air out of them. But deflationary actions—not only by financial regulators but also private financial institutions themselves—aggravated the economic slowdown.

The fall of the Berlin Wall exacerbated the switch to counterinflationary measures in Germany. The huge price paid by Chancellor Helmut Kohl to bring about quick unification—an exchange of West German marks for East German marks at an overpriced one-to-one rate and a transfer of capital to the East amounting to about $100 billion a year—caused the German budget to swing from a moderate surplus in 1989 to a deficit equal to five percent of GDP in 1992. That set off inflationary pressures and—still worse—inflationary fears.

To still the pressures and fears, the Bundesbank kept money

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tight and interest rates high while the rest of Europe was trying to fight recession. The result was to worsen the problem of slow growth in Europe and everywhere else. Bundesbank policy also intensified disequilibrium among currencies and political strains among European Community signatories of the Maastricht treaty, threatening European monetary and political integration and even the world trading system under the General Agreement on Tariffs and Trade.

Japan was also experiencing the worst economic and political tensions and anxieties since beginning its remarkable postwar recovery and long spell of high growth. Its financial bubble, built on inflated asset values, has been sharply deflated. Stock prices have fallen about 60 percent, and real estate prices, though they have already come down by about 20 percent, are regarded as very shaky. Scandals over political and business corruption have helped to undermine public confidence in the system. The Japanese establishment—including politicians, bureaucrats and business leaders—now acknowledges that the country is in a genuine recession. Present strains, it warns, may last another five to seven years, and possibly a decade or more.

The fear is that the steep fall of securities prices and land and other asset values will have a long-lasting effect on Japanese banks and industries. One senior Japanese economist explained: "In the past the threats were like a broken leg—sharp, painful but specific—and it was clear what was needed to mend them. This downturn is more like a virus affecting the blood system—much more complex and pervasive."[3]

In its efforts to cure the disease, says Akio Mikuni, a leading Japanese financial analyst, the Ministry of Finance got caught in a dilemma: "If it allows the prices of land and equity to be set genuinely by market forces, asset prices would plummet and the capital cushion of Japan's banks wiped out. The Finance Ministry would have given up its most important tools right at the moment they would be needed for coping with a resultant first-order banking crisis."[4] For the time being, the Ministry of Finance has chosen to support the markets at deteriorated levels. Nevertheless, Mikuni believes that the ministry's actions are ultimately unsustainable. "The negative carrying costs of holding overpriced assets," he notes, "will

[3]*Financial Times*, Nov. 17, 1992.

[4]Akio Mikuni, "The Collapse in Japanese Financial Markets," working paper for the Group of 30, Tokyo, September 1992.

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continue to eat away not just at the stability of the financial sector but also at the profitability of manufacturing firms."

Other analysts, while conceding that Japan "has finally gone over the edge," believe that it will come back in a few years, stronger than ever. Japan, says Kenneth S. Courtis, strategist and senior economist for the Deutsche Bank Group in Asia, is "purging itself of the excesses of the 1980s, cleansing its economy, melting off the fat" it had accumulated over recent years. "By the mid-1990s," he contends, "once the economy is brought down again to its rock-hard, competitive core, Japan will be poised for another powerful leap ahead through to the end of the decade."[5]

Japan's future will depend not just on actions by the Ministry of Finance, the Ministry of International Trade and Industry or other agencies, banks and businesses, but also on the policies of foreign governments and developments in the world economy. Whichever crystal ball is right about Japan's economy, analysts, government officials and central bankers agree that this has not been a typical business-cycle recession, either in Japan, Europe or the United States.

The Dangers of a New Depression

AFTER A MEETING with Japanese Prime Minister Kiichi Miyazawa and officials from the Ministry of Finance and Bank of Japan, Federal Reserve Board Chairman Alan Greenspan noted that among the topics discussed was "the balance sheet problem" that in Japan is referred to as "asset deflation."[6] Greenspan had earlier described the structural imbalances in the U.S. economy as more severe and more enduring than many had previously thought. The economy, he said, was "still recuperating from past excesses involving a generalized overreliance on debt to finance asset accumulation. Many of these activities were based largely on inflated expectations of future asset prices and income growth."[7]

As reality broke through, businesses and individuals holding debt-burdened balance sheets had diverted cash flows to debt

[5]K. S. Courtis, "Why Japan Will Come Back," *The International Economy*, September-October 1992, p. 1.

[6]Press conference, American Embassy, Tokyo, Oct. 14, 1992.

[7]Alan Greenspan, testimony before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, July 21, 1992.

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repayment at the expense of spending, while lenders turned cautious. The credit crunch was on. And as Greenspan further explained: "This phenomenon is not unique to the United States; similar adjustments have spread to Japan, Canada, Australia, the United Kingdom and a number of northern European countries. For the first time in a half century or more, several industrial countries have been confronted at roughly the same time with asset-price deflation and the inevitable consequences."

The last such asset deflation, credit crunch and wave of bankruptcies followed the Great Crash of 1929. Fiscal, monetary, and trade policy blunders helped to turn that earlier asset deflation into the Great Depression of the 1930s, which lasted a full decade—until the outbreak of World War II. I shall always remember the phrase of my old boss, Elliott V. Bell: "Out of the wreckage of depression slithered the serpents of Nazism and war."

Nowadays, reversing the celebrated maxim of George Santayana, we believe or hope that those who remember the past are not condemned to repeat it. Yet it is already evident that the long period of slow growth, which some have called a "controlled depression," has produced revolutionary consequences of its own. It helped to shatter the Soviet empire. As the British editor William Rees-Mogg has written: "A world economic crisis is a type of world revolution. It destroys old structures, economic and political. The Soviet Union, with its rigid inability to adapt, was the first to fall before the full force of the storm. Such a crisis destroys well-meaning politicians and promotes men of power.... It destroys respect for government, as people discover that their leaders cannot control events."[8]

The burst of optimism that greeted the downfall of Soviet communism has given way to anxiety that years will pass before the new states in the East can become effective market economies and democracies—and that some may not make it at all before dictatorship returns. The end of the Cold War was expected to bring great benefits to people in many countries as resources were shifted from military to social programs. Thus far, however, the peace dividend only shows up in lost jobs and falling incomes.

Theoretically there is no reason why this must be so; in a

[8] *The London Observer*, Sept. 7, 1992.

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rational world, the improved prospects for peace should have led to greater spending on consumer goods and productivity-raising investment. But that can happen only if workers can be shifted to new jobs—and financial resources reallocated to create those jobs.

"Like the Great Depression, the current economic slump has fanned the fires of nationalist, ethnic and religious hatred around the world."

In the absence of such shifts of human and capital resources to expanding civilian industries, there are strong economic pressures on arms-producing nations to maintain high levels of military production and to sell weapons, both conventional and dual-use nuclear technology, wherever buyers can be found. Without a revival of national economies and the global economy, the production and proliferation of weapons will continue, creating more Iraqs, Yugoslavias, Somalias and Cambodias—or worse.

Like the Great Depression, the current economic slump has fanned the fires of nationalist, ethnic and religious hatred around the world. Economic hardship is not the only cause of these social and political pathologies, but it aggravates all of them, and in turn they feed back on economic development. They also undermine efforts to deal with such global problems as environmental pollution, the production and trafficking of drugs, crime, sickness, famine, AIDS and other plagues.

Growth will not solve all those problems by itself. But economic growth—and growth alone—creates the additional resources that make it possible to achieve such fundamental goals as higher living standards, national and collective security, a healthier environment, and more liberal and open economies and societies.

Reducing the Deficit to Promote Growth

WHAT WILL it take to fuel the engines of world growth? The answer can be found in the lesson learned from the Great Depression: the developed countries need to pursue macroeconomic policies that will keep the world economy moving forward and keep world trade and investment flowing freely.

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This means, first and foremost, that the United States and most other industrial countries must make efforts to increase savings and productive investment.[9] A higher rate of capital formation will serve not only their own interests but also—through the global growth mechanism of expanded markets—promote the interests of the developing world, Asia's newly industrialized countries and the states of eastern Europe and the former Soviet Union that are striving to modernize and build closer links with the world economy. Higher rates of capital formation in the developing and newly market-oriented economies are critical to their economic success and, in many cases, to their political viability.

*The United States, still the largest and most important econo*my in the world, needs to play a constructive role in raising global capital formation. It can only do so if it eliminates its huge and still growing federal budget deficits. The Bush administration's final estimate of the U.S. budget deficit, which was $290 billion in fiscal year 1992, was revised upward to $305 billion by 1997, if present policies continue. That deficit is "structural"—meaning the bulk of it would still be there, even if the economy were operating at full capacity and full employment.

Repeated deficits have forced the United States to import capital from abroad in order to finance government activities and to help cover America's own investment needs. Instead of exporting capital to the developing world, with reciprocal benefits to its own exporting industries, the United States has been absorbing global capital, putting upward pressure on long-term interest rates and slowing its own and worldwide investment and growth.

America's deficits, both internal and external, could not have grown so large nor endured so long had it not been for the willingness of foreigners to invest in dollar assets. That willingness reflected the international role of the dollar and relative confidence in America's political stability and long-run growth potential. The United States must now move decisively to justify that confidence—or risk seeing it shattered.

Strengthening America's economic growth must be a top priority for the rest of the decade. Stronger growth will require eliminating the budget deficits that have undermined the nation's savings rate and long-term investment. Unless

[9]This section is based on "The United States in the New Global Economy: A Rallier of Nations," a statement by the Research and Policy Committee of the Committee for Economic Development, of which the author was Project Director.

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remedied, America's chronic and rising budget deficits and low national savings rate will act as a drag on its productivity growth and its ability to build any international cohesion on critical economic and political issues. Washington's budget deficits will also continue to limit its ability to deal with social problems at home.

U.S. economic policy should aim to raise the rate of national savings to at least its pre-1980 level of about eight percent of national income, about five percentage points above its current level. When invested in plant and equipment, research and development or infrastructure, the additional savings would raise the annual growth rates of productivity back to its historical level of more than two percent per year, making possible a steady increase in living standards, a steady reduction in unemployment and the accumulation of extra capital for meeting domestic and foreign needs.

Proposals by certain economists to get rid of the budget deficit problem by excluding outlays for capital goods from total government expenditures have little merit and might even aggravate problems with the nation's fiscal mismanagement. The idea of a government capital budget is not new. Proposals for a capital budget surfaced in response to public concern over the contribution of rising public expenditures to inflation during the Vietnam War, and they were rejected as likely further to confuse and distort the federal government's fiscal policy.[10] That conclusion still applies: use of a capital budget would seriously understate the government's current draft on the resources of the economy. Indeed it was the overdraft on the nation's resources during Vietnam that broke the long spell of stable postwar economic growth and initiated the inflationary pressures and slow productivity growth that have dogged America and the world since.

"Stronger growth will require eliminating the budget deficits that have undermined the nation's savings rate and long-term investment."

In periods of inflationary pressure the appearance of a balanced budget, with capital expenditures excluded, would pose

[10] *Report of the President's Commission on Budget Concepts*, U.S. Government Printing Office, Washington, D.C., October 1967, pp. 33–35.

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a political and psychological barrier to adequate taxation, even beyond the usual resistance present in Congress and the public. Those interest groups pressing for new spending would inevitably seek to stretch capital budget rules to get their proposals included as forms of investment, whether in physical, intellectual or human capital, skirting the immediate impact that would normally be to increase the current deficit.

If the capital budget were limited to physical capital, it would be likely to distort decisions about allocation of resources, promoting the priority of investments for "brick and mortar" over programs for which future benefits could not readily be capitalized, such as health, public education and child care, even when there was no accurate evidence that such a shift would be more beneficial to the nation.

Several foreign governments that previously used capital budgets subsequently abandoned them. In other countries maintaining a semblance of capital budgets—the division of transactions "above the line" in the regular budget and "below the line" in the capital budget—became so arbitrary as to make the distinction meaningless. Even if a capital budget were desirable, it raises a formidable array of accounting problems and issues, such as how to count military hardware (which produces no incremental income year to year) and how to measure depreciation of government property.

Concerns about the distorting effects of a federal capital budget should not imply rejection of special tabulations and analyses of government spending of an investment nature. On the contrary, efforts to promote long-term productivity and overall economic growth could be served by careful analysis of the costs and benefits of proposed capital expenditures in future budget documents, without harm to the budget as a tool for furthering economic stability and growth. The Clinton administration should be encouraged to move in that direction. But it should bear in mind that the private sector requires at least as much attention as the public sector in its potential contributions to increasing investment in productivity-generating capital goods, research and development and job training. A reduction of the structural budget deficit would augment private investment by increasing national savings. The long-term aim of fiscal policy should be not just to reduce the budget deficit but to achieve a structural budget surplus, including Social Security and other retirement accounts, of one to two percent of GDP over the coming decade.

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Short-Term Growth vs. Deficit Reduction

ACHIEVING the nation's goal of stronger long-term growth must be accomplished in a way that is consistent with raising the level of economic activity in the short run, especially to increase employment. President Clinton needs to reconcile the apparent conflict between two types of economic advisers—the short-term fiscal stimulators versus the longer-term deficit eliminators. He has said he intends to call the shots himself and avoid, on the one side, excess stimulus that would drive up interest rates and retard investment and, on the other, fiscal drag that would keep the economy in the doldrums.

If a solution to this dilemma is possible, it can be found in a unified program to encourage private and public investment over the next four years: short-term stimulus and long-term progress toward eliminating the budget deficit should be offered and legislated as part of one package. This is the task for which President Clinton's experienced legislators—Senator Lloyd Bentsen and Representative Leon Panetta—were presumably chosen as secretary of the treasury and director of the Office of Management and Budget: to persuade Congress to enact a program for gradually phasing in deficit-shrinking measures that would not interfere with the recovery or with the financing of public and private investments to spur national economic growth, and to make each year's fiscal policy consistent with the longer-term program.

"...short-term stimulus and long-term progress toward eliminating the budget deficit should be offered and legislated as part of one package."

A program for recovery and steady growth should provide for deferring measures to get rid of the budget deficit if economic stagnation persists and the economy slides back into recession. But such deferrals should be only temporary, until the economy recovers. Such a program is difficult to lay out firmly in advance and will require the closest cooperation between the administration and Congress to maintain flexibility without deserting its fundamental goals.

Stable growth will also require closer coordination between

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fiscal and monetary policy. In the past, some central bankers and economists have argued that the sole task of the Federal Reserve's monetary policy is to prevent inflation and to safeguard the value of the dollar. But in times when overcapacity and unemployment—and even deflation—are the main problems, the Federal Reserve has an obligation to aid economic recovery. The goals of reducing unemployment and preventing inflation are parallel, not irreconcilable, objectives.

Those objectives can best be achieved in existing circumstances by reducing the structural budget deficit, thereby making it possible for the Federal Reserve to maintain or increase the growth of the money supply and to bring interest rates down farther without fear of regenerating inflation. With industrial output at less than 80 percent of capacity and the unemployment rate above seven percent, there is no reason for premature alarm about inflation. It was that kind of alarm that so inhibited monetary policy in the 1930s, worsening the depression and hampering the recovery. That was a time when reducing unemployment, not heading off a feared inflation, should have been the primary target of monetary policy. Although the present slump, except in eastern Europe and the former Soviet Union, is not as severe as the Great Depression, monetary policy still needs to avoid focusing on the wrong problem at the wrong time.

Tighten G-7 Coordination

IN THIS more closely integrated and stagnating world economy, it is the inadequate growth of the world money supply, not just the money supply of any single nation, that provokes the greatest concern. Collaboration among the three most important central banks and sources of international monetary reserves—the Federal Reserve, the Bundesbank and the Bank of Japan—will be vital to curbing world inflation or deflation and achieving stronger and steadier world economic growth. Collaboration by nations and their central banks on monetary policy must be accompanied by efforts of national administrations and legislatures to coordinate fiscal policy, from which, as we have seen, monetary policy cannot be divorced.

There is no reason for not achieving greater fiscal and monetary cooperation, even among members of the "Group of Three," which represent different national interests, different

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national cultures and different regional constituencies. Such cooperation might most effectively be achieved within the framework of the Group of Seven, where the other four members of the group could help to resolve disagreements among the three. Participation in the ongoing efforts to develop consistent fiscal and monetary policies to achieve common goals could also, within this context, be sought from representatives of the emerging regional organizations in Europe, North America and Asia.

To become an effective policy coordinator, however, the Group of Seven needs to be more than a once-a-year "summit" of presidents and prime ministers, which has served as more of a photo opportunity than as a forum for analysis, debate and decision-making. The work of the G-7 must involve much more than drafting an annual communiqué phrased in its broad, if not altogether meaningless, generalities.

If the G-7 is to be transformed into a useful instrument for economic cooperation, it needs a secretariat, regular meetings of economic, financial and political representatives, and more frequent ministerial meetings to prepare the way for decision-making on the major issues. Its fundamental aim should be to strengthen the growth of the world economic system, on which all national economies increasingly depend.

In recognition of the likelihood of different conditions within national and regional economies at any given time, policies for systemic growth should not necessarily impose the same fiscal or monetary policies on all member countries at all times. Rather, the G-7 should aim at harmonizing national policies to achieve the common goal of systemic international growth.

International cooperation must also be sought in other multilateral and bilateral negotiations for reducing military spending to levels appropriate to the post-Cold War environment. Military expenditures need to be adjusted to meet changing national security requirements, competing private and public investment aims, and the goals of reducing budget deficits and increasing the world supply of savings and capital, crucial to the reconstruction and growth of the ex-communist and Third World countries.

The defense budget should not be treated by any nation—including the United States—as an employment-security or growth-stimulus program, with spending levels rationalized by misapplied economic arguments. It would be a tragically lost opportunity if America and other nations failed to transfer

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resources desperately needed for investment and growth from military uses because of incompetence or self-interested opposition to economic adjustment. Such a failure would not only waste resources but also create pressures for otherwise unnecessary tax increases. The excess military capacity, moreover, would continue to spur the proliferation of weapons, both conventional and dual-use nuclear, thereby increasing threats to world peace and economic development.

Danger of Beggar-Thy-Neighbor Policies

THE LONG-TERM PROBLEM made acute by economic globalization—and global slow growth, stagnating real output and income, overcapacity and unemployment—is not just maintaining aggregate demand but also raising investment in activities that generate strong productivity growth and jobs. Increasing savings, per se, may not automatically raise the level of domestic investment sufficiently, although greater savings will help reduce interest rates and thereby encourage investment. In the integrated global economy, capital saved in one country can readily be invested either domestically or abroad; increasingly businesses and nations must create or acquire the capital, human skill and technology they will need to meet international competition. The alternative—protectionism and an aggressive nationalism—would, as the world has learned over and over, endanger both peace and prosperity.

Every developed country has accepted, formally or de facto, the responsibility of employing macroeconomic policies to combat inflation and unemployment. But under varying economic and political pressures, countries weigh those objectives differently. Throughout most of the postwar period, the need to contain and defeat Soviet communism went far to overcome political opportunism, the pressures of interest groups and the inherent unpredictability of capitalist economic systems. As a result the early postwar performance of the industrial nations was much better than in the years between the world wars.

But slow growth in the world economy now makes the danger of a reversion to beggar-thy-neighbor policies a real one.[11]

[11]See Jeffrey E. Garten, *A Cold Peace: America, Japan, Germany, and the Struggle for Supremacy*, a Twentieth Century Fund Book, Times Books, 1992.

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Some see the three major economic powers—the United States, Germany and Japan—riding in different directions and threatening to pull the world economy apart. But the interdependence resulting from economic integration has greatly reduced the effective autonomy of even large national economies. Nations have found that their policies are now less potent domestically, affect other countries more strongly and produce sharp and often unwelcome changes in the trade and payments balances and exchange rates that link them with others.

In this changed world, cooperation among the major economies in policymaking has become increasingly important. But there are no technical solutions to the economic problems the world is facing. What is most needed is the political will—the will of the United States, Germany, Japan and other major industrial countries to deal more effectively with their own problems and the will of all the major developed countries to work together for a common end.

The most important challenge for economic cooperation in the years ahead will be to keep the world economy growing at a vigorous and sustainable pace. With real economic growth the serious problems of world debt, unbalanced trade, currency disequilibrium and unemployment—as well as the social, ethnic, racial and nationalist tensions and the violence to which they give rise—can be contained, and progress made toward their solutions.

The greatest change needed to preserve stability and nurture growth is for the world economy to become the focus of policy formulation. Despite the resistance of traditional national politics and interest-group pressures, the development of farsighted fiscal, monetary, trade and investment policies in the major industrial countries has become vital to the economic well-being of all nations.

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A NEW TRADE ORDER

Peter F. Cowhey
Jonathan D. Aronson

A New Global Economic Order

IN THE EMERGING world economy the choice is no longer between free trade and protectionism. Governments are regulating in new ways, using measures that open markets to foreign competition and embrace national industrial policies simultaneously.

It is impossible today to sustain the traditional American arms-length relationship between business and government on which world trade rules rested after 1945. The redistribution of much economic power to Japan and Europe means that new styles of industrial organization—more intimate relations between governments and firms, as well as among firms—place increasing pressures on that longstanding American approach.

Corporations have long adapted to the new forms of government economic strategies by internationalizing their operations. The initial emergence of transnational corporations, and later of international corporate alliances, was often a political gesture to assuage local sensibilities about the national identity of businesses and to circumvent trade barriers. In many markets traditional free trade never really existed because of this corporate adaptation.

The cumulative impact of this kind of foreign investment is staggering. Foreign investment flows are only about 10 percent of the size of world trade flows each year, but intra-firm trade (for example, sales by Ford Europe to Ford U.S.A.) now accounts for up to an astonishing 40 percent of all U.S. trade. Investment now dictates much of the composition and direction of trade flows.

This article is adapted from Peter F. Cowhey and Jonathan D. Aronson, *Managing the World Economy: The Consequences of Corporate Alliances*, New York: Council on Foreign Relations, 1993. The authors are professors of international relations at the University of California, San Diego, and the University of Southern California, respectively.

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While the original political motivation for globalization remains, it has become secondary to broader economic imperatives. International corporate alliances represent grudging acknowledgment that few firms can independently bear the economic risks or command the spectrum of technological expertise necessary to win major world markets. Growing numbers of firms rely on diverse partnerships around the world for know-how, components and selected product offerings in order to compete at home and abroad. They are willing to invest heavily in new global infrastructures, such as the worldwide design networks of Ford and Boeing or the world trading networks of major stock exchanges, in order to support their businesses and alliances.

Rise of a "Market Access" Regime

THE PROCESS of developing and implementing a new international economic order is underway; it can be called a "market access" regime. The post-1945 free trade regime removed barriers at borders and established limited rights of investment. The emerging regime is more flexible about border barriers, but more demanding about access for investment and the international review of domestic policies to assure fair market competition.

A market access regime acknowledges that active government assistance to firms in many forms is a fact of life. International agreements cannot end this assistance; international rules provide for timely review of the concerns of foreign competitors and, in some cases, lead to limited harmonization of national policies. The best guarantee of efficient competition is using trade or investment, including alliances, to introduce robust foreign competitors in all major economic centers. Such a strategy undercuts the benefits of protectionist policies by letting foreign competitors share in any special benefits conferred by trade barriers or special assistance to boost particular industries.

"A market access regime acknowledges that active government assistance to firms in many forms is a fact of life."

A market access regime will upset the structure of existing

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international economic agreements. Policymakers can no longer depend mainly on multilateral trade agreements, nor can they emphasize trade as the leading edge of global commerce or assume that domestic and international economic policies are largely separate and independent from each other. Governments have to create a new global framework and tools for managing world commerce.

The outlines of the task can be best illustrated by an examination of the automobile and semiconductor industries and of telecommunications services—a revealing cross-section of heavy manufacturing, high technology and complex services. These sectors long ago confounded the conventional economic policy debate. Arguments about free trade and protectionism have nothing to do with the major global issues facing these industries. Despite continuing active government support for national automobile and semiconductor champions, the world market is more thoroughly integrated and no less open today than two decades ago. By comparison telecommunications services, which always were dominated by government-owned or -controlled monopolies, have experienced significant liberalization and new international competition. The experience of these sectors suggests an approach to the restructuring of government rules for world commerce.

Auto Markets Integrate Despite Protection

THE REVOLUTION in automobile manufacturing and design processes in Japan abruptly transformed the world market. For the first time, vehicle exports across regions became central to world competition as Japanese automobiles flooded the American market. The influx of Japanese imports stiffened demands for protection of America's largest manufacturers and employers and led to voluntary export restraint agreements on the number of Japanese automobiles exported to the United States. (Such export restraints are a wink-and-nod arrangement that evade General Agreement on Tariffs and Trade rules by being "voluntary" actions of the exporting country.) As economists correctly predicted, the restraints resulted in higher prices for consumers, a shift by Japanese firms from cheap compacts to more lucrative sedans and massive Japanese investment in U.S. manufacturing capacity. An additional consequence was a rapid tightening on imports into most of Europe. Although the United Kingdom

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welcomed Japanese plants to replace failing British automakers, France and Italy feared that Japan would divert its firepower toward their large auto firms.

Despite Detroit's restructuring over the past two decades, Japan has captured almost 30 percent of the U.S. auto market.[1] U.S. producers are counterattacking with improved products, reduced costs, demands that U.S.-based Japanese plants use more North American parts and labor, and pressure for increased U.S. automobile and component sales in Japan. The likely effect will be a stagnant Japanese market share in the United States, greater incorporation of U.S. component producers into the supply networks of Japanese manufacturers and modest success for U.S. vehicles in the Japanese market (even if Japanese plants in the United States are the source of many of the Japanese imports). At the same time, the Big Three are discovering the advantages of collaboration on research and development for key component technologies, sometimes with government support.

Meanwhile the European Community 1992 program is slowly unifying the European automobile market, despite difficult political battles. The EC could only find common ground between French restrictions on Japanese cars and Japanese automobile plants in Britain by negotiating a voluntary restraint agreement with Japan that capped Japanese imports and local production in Europe at 16 percent of the market by 2000. Extending such an arrangement to cover local production was a new idea. It nonetheless allowed a 50 percent increase in the Japanese share of the European market. The EC also won promises to assist its entry into the Japanese market, where European luxury automobiles already lead their American counterparts in the five percent of the market claimed by imports. But the two sides disagree on the precise interpretation of the agreements. Such disagreements are a growing problem because bilateral pacts often use ambiguity to skirt multilateral trade rules.

On balance, trade diplomacy has abetted truly trilateral competition in the world market for the first time. The world automobile market is fundamentally more integrated today despite massive government intervention to protect local producers. This will also make alliances among automobile com-

[1]Japanese vehicles sold under Detroit nameplates account for about three percent of the U.S. market. In 1991 about nine percent of Chrysler Corporation vehicle sales were Japanese cars. That share should decline if Chrysler fully recovers.

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panies more important. In addition to political considerations, firms will share plants, swap product designs and diversify the national origins of their suppliers because of the huge costs of fielding global product lines and responding to quickening technical innovation.

Alliances Transform Semiconductor Industry

AMERICAN PRODUCERS dominated the semiconductor market until the early 1980s when their efforts to create a new generation of memory chip products faltered. The Japanese government had sponsored years of sustained collaboration on manufacturing process and product design among Japanese firms. Tokyo's efforts prepared Japanese firms to seize this opportunity to dominate the memory chip market, and they soon did, putting U.S. firms on the defensive throughout the rest of the decade.

U.S. firms concluded that they needed a new line of competitive attack. On the one hand they created new domestic consortia, such as Sematech, in the mid-1980s to replicate the Japanese experiment in industrial collaboration. These consortia received special U.S. funding and required a novel antitrust waiver. On the other hand the U.S. industry worried that despite its best efforts it had never won more than seven percent of the Japanese market. Japan's sheltered market permitted its firms to build economies of scale and increase profit margins before competing in foreign markets. Their costs were low, and they could afford to dump chips (sell them below cost) to win markets overseas. To counteract these advantages the consortia lobbied the U.S. government for stronger protection against Japanese dumping and better access to the Japanese market.

The outcome, a radical innovation in trade policy, was the 1986 U.S.-Japanese semiconductor agreement that introduced measures to control dumping and promised a 20 percent share of the Japanese market for foreign (not just U.S.) suppliers. Despite teething problems the two countries renewed a modified agreement in 1991 after the U.S. computer industry came to support it. The new pact cleaned up the antidumping provisions and reaffirmed the market access goal. As a result foreign suppliers now have about 15 percent of the Japanese market. More remarkably, an elaborate consultative system between the industry associations of the two countries has

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expedited responses to many access problems.

Given the shrouded start to the 1986 pact, European officials worried that its provisions would only put Europe into an even more distant third place in semiconductor production. They quickly won GATT review and revision of some parts of the U.S.-Japanese pact, and then negotiated their own antidumping pact with Japan. In addition the European Commission continued massive joint research and development programs, such as Esprit and RACE, which poured huge sums of money into collaborative work by European firms. The 1992 program was also intended to reinvigorate European electronics firms by expanding their home market and reviving local competition.

U.S. officials worried that the EC 1992 program might exclude U.S. firms by creating a "Fortress Europe." In practice, Americans received quiet reassurances that European markets would remain open so long as U.S. markets did the same. Reciprocal access was the clear implication when Siemens, the strongest European firm, formed vital research and production alliances with IBM, despite Siemens' major role in pan-European research programs sponsored by the EC. (Japanese firms, it was acknowledged, might have more trouble exporting to Europe in the future, but Toshiba, for example, later joined the IBM-Siemens project.)

The IBM-Siemens alliance symbolized a fundamental transformation of the semiconductor industry. A torrent of collaborative alliances among European, Japanese and U.S. producers of semiconductors and critical components for computer technology tried to limit political, financial and technological risks. Moreover semiconductor producers increasingly entered into collaborative arrangements with key customers because customers often possess vital knowledge for the design of successful chips. One profound consequence of the 1986 semiconductor agreement was to induce alliance strategies that are blunting the nationalist edge of the semiconductor and related computer industry. Toshiba, Apple and IBM have announced a dizzying set of deals to codevelop and cross-source software, components and products for the next

"International corporate alliances are one novel solution to market and technology access problems."

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generation of portable computers. Still Europe and Japan will continue to pursue activist government policies in the semiconductor arena. The question is whether Washington, lulled by new international corporate alliances between U.S. and Japanese firms, will continue to match the efforts of other governments.

Market share in itself is not sacred; the ability to reach customers and needed know-how globally is. International corporate alliances are one novel solution to market and technology access problems. Trade talks plus a refurbished technological base allowed American firms to bargain for more advantageous alliances. A decline in the U.S. base would weaken the alliances. In short, new tools of activist microeconomic policy have to complement trade policy if alliances are to serve American interests and the demands on trade policy are not to get out of control.

Guided Competition in Telecommunications

EVEN AS economists warned of growing protectionism, the world services industry was charging in the opposite direction. Telecommunications services reflect the transformation.

Today the United States, Britain and Japan—the three main financial and communications hubs of the world economy—all permit competition in the provision of basic telephone and advanced data services. Canada, Australia, New Zealand, Sweden and South Korea are rapidly moving in the same direction. The rest of Europe has liberalized competition in advanced information services, and many countries are licensing new providers of mobile telephone services to compete with the former monopoly providers. In many cases foreign companies are becoming minority owners and key managers of local phone companies.

Entirely new forms of global communications firms are also emerging. New competitors, for example, own many of the new generation of international communications satellites. Global data networks are burgeoning; international cellular telephone companies may one day emerge, and most certainly their ownership will be a hybrid of international partnerships.

Despite this remarkable liberalization, governments everywhere continue to steer their domestic telecommunications markets. Governments view network innovation as a techno-

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logical spur that acts to stimulate the whole economy. Competition has strengthened American telecommunications. Washington is nonetheless conducting a massive review of its competitive policies because it worries that a rival like Japan is better at combining government regulation and market competition to expedite universal fiber-optic networks. There are similar worries about regulation and trade competition in the electronics equipment market. For example, Washington protested the way in which Japan partitioned cellular phone licenses among Japanese firms because U.S. equipment suppliers sold only to some of the licenses. The original allocation of licenses favored firms relying on Japanese manufacturers. Not only were old licenses revised but foreign firms are now minority owners of new ones.

Trade negotiators have also learned that it is vital to extend "transparency"—regular and observable government administrative procedures—to national rule-setting and regulatory oversight. Otherwise it is difficult to bargain successfully in a complicated environment. Clyde Prestowitz puts it well. "The Japanese cannot 'open' in the American sense," he writes. "They think of openness as removal of restrictions case by case, as the bureaucratic giving of permission, and have not the generic Western concept of an absence of the need for permission."[2] In Europe, too, governments retain the final discretion over which companies may enter their markets even after liberalization.

Negotiations on transparency can make progress. The United States has slowly influenced Japanese regulatory thought and practice. Washington, for example, has successfully urged that American firms sit on the advisory committees setting telecommunications standards in order to gain timely oversight on potential nontariff barriers. Foreign ownership of Japanese networks also helps.

The clear message from the case of telecommunications services is that sustained intervention by governments need not block a fundamental liberalization and integration of a politically sensitive world market. As in the other industries, corporations are emphasizing expedited global expansion along with elaborate commercial partnerships across national boundaries. It is becoming clear that major firms need to operate on four

[2]Clyde V. Prestowitz, Jr., *Trading Places: How We Allowed Japan to Take the Lead*, New York: Basic Books, 1988, p. 99.

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premises. First, firms need to think and act globally to survive. Second, the only way to guarantee access to other countries' markets is to provide their companies with significant access to the home market. Third, carefully delineated alliances among leading competitors from different countries may be in the interest of all. Fourth, trade and investment policies alone cannot suffice; complementary government policies also are needed to nurture industries.

Designing Trade Rules from the Bottom Up

POLICYMAKERS have to acknowledge that all governments have obligations to support the world economy. When countries demand special treatment, all obligations are called into question. Countries should retain the flexibility to design and pursue policies that mix intervention with increased global market competition, but they also have an obligation to be sensitive to the costs their own policies of adjustment impose on other countries. Even Japan is cautiously considering acceptance of this position. The United States has obligations of its own; it cannot continue to rely on trade policy to fix its economic woes. U.S. political leaders can reconcile international obligations and national measures only if they are more honest with voters. The United States has to address its budget deficit, the low rate of national savings and problems in the structure of its capital markets.

The United States must keep its markets reasonably open on the basis of multilateral global principles. American bargaining power is greater because European and Asian business interests want to be here and will push their governments to compromise to retain their access. The strategic problem for the United States is that, although its interests are global, many of the most pressing negotiations need to be bilateral or regional. The United States needs multilateralism to ensure that the playing field is level and to safeguard against becoming entangled in its own web of contradictory bilateral deals. At issue, then, is how to reconcile global arrangements with specialized agreements.

When issues get more complicated, problems of negotiation increase. Getting more than a hundred GATT members to agree on a comprehensive package covering a wide range of complicated trade issues simply overloaded the Uruguay Round negotiations. Governments have to lay down basic

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multilateral principles to provide a consistent framework for trade agreements, but the global process will yield only incremental progress toward liberalization. Governments should concentrate more on bilateral and minilateral efforts to manage the practical details, and then multilateralize them from the bottom up. Even if the Uruguay Round achieves an acceptable outcome, Europe and Japan are fooling themselves if they think that a refurbished GATT will curb bilaterals, minilaterals and regional pacts.

"The strategic problem for the United States is that, although its interests are global, many of the most pressing negotiations need to be bilateral or regional."

Bilateralism and minilateralism allow countries to make special side deals and to set up specialized enforcement and monitoring institutions in support of international commercial agreements. The trick is to make sure that agreements reached under bilateral and minilateral bargaining encompass the basic principles of the multilateral regime and are subject to scrutiny by third parties that fear injury.

Some contend that bilaterals and minilaterals are less efficient than one-stop bargaining though the GATT. In fact specialized negotiations may be superior ways to solve problems. For example, although nobody seriously advocates extending the EC system to cover global trade, expanded regional arrangements can complement global problem-solving. Regional arrangements offer two advantages. First, creating large enough regions with common rules and commerce permits improved access through foreign investment. Second, regional pacts permit side payments that are sufficiently complex to tackle the worst problems associated with nontariff barriers. In short, regionalism is a legitimate approach and probably provides a superior solution to many issues so long as there exists a mechanism for minilateral consultation to reconcile the differences among regions. GATT already has provisions for such a review, but they need to be reformulated. The test should be whether the flow of trade between bloc members and nonmembers declines following a pact. Given the powerful role of investment as a form of access, any "passing

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grade" on trade flows alone is a doubly powerful statement about continued integration of the world economy.

Uneasiness about the implications of regional blocs nonetheless persists. If global talks cannot fully resolve key issues, then perhaps a hybrid between regional and global multilateral talks would. The time may now be ripe to negotiate significant cross-regional agreements.

Fundamental Reform for GATT

FUNDAMENTALLY REFORMING GATT would be another step toward creating a new international architecture. Institutional innovations are necessary to cope with blurred bureaucratic authority and the collision of domestic and international economies and regulations. World economic management requires a new role for GATT, a new emphasis on transparency and a new approach to oversight.

A reformed GATT should concentrate on four key tasks. First, it could play a central role in assuring that bilateral, minilateral and regional agreements are multilateralized. This is not unprecedented. In 1985, for example, the United States, Japan and Canada converted a trilateral understanding on computer parts into a multilateral one.

Second, GATT should build on its role as a "depository" of trade agreements. This seemingly innocuous function is important because it discourages secret pacts and side letters to agreements that undercut multilateralism. Discretion is admirable, but there needs to be international agreement that all trade understandings will be registered and made available—with safeguards, if necessary—to interested GATT parties.

Third, to deal with precedents and principles embodied in the proliferating number of bilateral and minilateral pacts, GATT members should agree that signatories of every new trade and investment pact must file a brief "multilateral impact statement." This statement would analyze the impact of the agreement on third parties and concisely state the general rules and principles of behavior endorsed by the pact. Requiring these measures in order for a treaty to be legal under GATT would discourage ad hoc ventures that impose high costs on third parties.

Fourth, GATT should encourage other procedural innovations to expedite the reinterpretation and evolution of common GATT rules. Rather than relying on the reactive GATT

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process for dispute resolution, a country could actively build a consensus on difficult issues by lobbying countries to sign on to similar statements of national intent. Such statements of intent about the interpretation of trade and investment obligations could be especially important for advancing common standards on issues that would otherwise be slow to admit to international agreement. GATT and the Organization for Economic Cooperation and Development Trade Policy Committee, which may soon have South Korea as a participant, could work together on this task.

GATT authorities could also acknowledge the need for more extensive use on nontariff issues of conditional reciprocity—meaning, a country would enjoy additional privileges if it also assumed additional obligations. U.S. negotiators proposed this approach, which has precedents in prior GATT agreements, as a way out of some impasses over the talks on liberalizing services in the Uruguay Round. They met with opposition, but they were right to try.

A Sector-by-Sector Approach

BUILDING A NEW international architecture could also be enhanced by governments focusing more on sectoral codes and less on universal ones. Just as multilateral negotiations are too cumbersome, universal codes of conduct are also less effective.

Industry-specific agreements, once considered exceptions and economic disasters, are growing in number for reasons of efficiency, not just veiled protectionism. Industry codes could tackle many of the hard problems on subsidies, dumping, enforcement and rules of origin. The real question is how governments can formulate these codes so that they do not massively restrict market competition.

Part of the answer is to make each code recapitulate and adapt to general principles, such as transparency and the right to commercial establishment. Another step is to assure third parties the right to join codes and accept their benefits and obligations. Further, the pacts require conditional reciprocity—special rights mean special duties.

Critics of conditional reciprocity see it as impractical and unfair. They worry that trade deals will descend to absurd discussions about precise equivalencies of concessions. But this need not be. Conditionality could consist of ascending tiers of

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rights and obligations. A country would not have to offer every item in the tier, but a country would have to offer a reasonable balance within the tier's range to participate in its special rights.

Finally, industry-specific agreements that require voluntary export restraints (as in autos) are an inefficient form of industrial assistance. By indirectly raising prices they hide the cost of adjustment to consumers. We favor converting most export quotas to temporary tariffs with an automatic phase-out schedule.

Combining Activism and Integration

A MORE ACTIVIST government policy does not necessarily imply an end to an open integrated world economy. The ascent of Europe and Japan, however, does imply a change in the assumptions about the roles of governments and firms. The old architecture and tools for managing world commerce must be revised. GATT can remain at the center of the world trade order only if it redefines its mission and functions. Bottom-up multilateralism will be the order of the day.

None of these developments should be surprising or unduly worrisome. Weak decentralized political systems normally require more complex mechanisms for negotiation and enforcement of rules. But such systems can thrive—as anyone who has observed the constitutional order and economic success of Switzerland will attest. The narrow focus on liberalizing border trade barriers to manufactured goods—combined with strong U.S. influence—fostered the world's postwar recovery and prosperity. Now a broader scope of liberalization with more complicated international obligations has to become the new world commercial order.

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NEW MISSION FOR FOREIGN AID

James C. Clad
Roger D. Stone

Foreign Aid For Sustainable Development

AFTER 45 YEARS America's foreign bilateral assistance program lies dead in the water. Its principal flagship, the United States Agency for International Development, has become a dispirited bureaucracy lacking leadership, resources and rationale. Rather than burden USAID with yet more policy reversals and program redirections—as happened after each pivotal change in electoral politics during the last thirty years—the best approach the Clinton administration can take is to scuttle America's bilateral aid program and begin anew with a concise, clearly defined initiative to promote environmentally sound forms of economic growth.

The American public's present disenchantment with foreign aid cannot be overstated, and this is not just a matter of aid being juxtaposed with competing domestic priorities. What this sour mood underscores is that the nation's political discourse offers neither rationale nor constituency for traditional aid-giving.

Periodic electoral changes have resulted in ideologically inspired shifts in aid policy, as in the abrupt tilt toward free-market development after 1981 and the beginning of the Reagan years. Couple this with USAID's long subservience to Cold War calculations, particularly to anti-Soviet strategies that compelled support for authoritarian regimes, and the result is a jumble of activities without coherent purpose.

The Decline of U.S. Aid

OVERALL AMERICAN foreign assistance, which amounted to one percent of GNP late in the 1950s and double to triple that during the plummy (though not fully

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comparable) post-World War II Marshall Plan era, has declined to a pitiful level of less than 0.3 percent of GNP. Among all aid-donor nations, only Ireland ranks lower in generosity. But during this period both Congress and the executive branch have cheerfully burdened meager programs, particularly those managed by USAID, with ever more numerous criteria and conditions. Political and security concerns no longer appropriate to the post-Cold War era have inspired many of these constraints; others have resulted from reactionary attitudes, particularly the post-1984 clamp on funding for family planning advice in Third World countries. Labor union complaints that USAID provokes domestic job losses also served to crimp the agency.

The impact abroad of this programmatic jumble, tightfistedness and runaway conditionality has been one of incredulity. In Asia countries receiving official development assistance, as defined by the Organization for Economic Cooperation and Development (OECD), contrast the size and steady flow of big-ticket aid from the Japanese, Germans or even Koreans to the restrictive American loans and grants worth but a fraction of these other credits.

Rather than mount a quixotic effort to reform the U.S. Foreign Assistance Act of 1961, and its cumbersome appendages added over intervening years, the new administration should start afresh. In a revised regime, bona fide aid for economic development should stand ostentatiously apart from other traditional programs, such as military and security assistance, disaster relief, AIDS support and food donations. "Economic Support Funds" that have often amounted to thinly disguised rent for access to strategic facilities in Third World countries should find new berths; the annual $5 billion in military and economic outlays for Egypt and Israel mandated under the Camp David accords should be fully managed by the State Department and the Pentagon.

"Rather than mount a quixotic effort to reform the U.S. Foreign Assistance Act ...the new administration should start afresh."

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Securing Sustainable Development

HIGHLIGHTING THE NEW bilateral aid effort would be a set of innovative domestic and international activities aimed at advancing America's commercial and export interests—often as joint-venture partners with sophisticated companies or agencies abroad—and at addressing the pressing global goals of environmentally sound economic growth and poverty reduction (often referred to as sustainable development). Frequently redefined and much debated, this catchall phrase suggests environmentally sensitive ways to bring about the equitable economic growth the world must have if it is to improve or even maintain living standards.

Agenda 21, a blueprint for global environmental security and one of the principal accomplishments of last year's U.N. Conference on Environment and Development (UNCED) in Rio de Janeiro, sets out the particular characteristics of sustainable development in 40 separate categories. These range from protecting and repairing the atmosphere by reducing greenhouse-gas emissions to the safer disposal of hazardous waste. They include practicing sustainable forms of agriculture—those that gain from sparing use of chemicals and stressing other means of maintaining farm productivity—to winning increased energy efficiencies from industrial and municipal facilities.

While it provides a solid set of guidelines for the future economic and environmental development of the United States and other nations, Agenda 21 does not represent a modern-day Luddite vision. Instead it seeks to apply new technologies to lift the environmental quality of the development process. Sustainable development is not cheap; in a period of tight concessionary finance, most First World policymakers find the cost estimates of environmentally friendly development alarming—with one recent estimate, by UNCED Secretary General Maurice Strong, putting the annual cost of achieving sustainable development in developing countries as high as $625 billion.

Of this enormous figure, UNCED's Strong sees $125 billion a year coming from the 14-nation OECD grouping of aid-donor nations. This would amount to a steep rise from the $54 billion in annual funding these countries now provide under the OECD's defined categories of official development assistance—much of which scarcely fits the criteria of sustainable development anyway. The current U.S. budget for bilateral develop-

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ment assistance and for population programs—$1.4 billion for fiscal year 1993—represents only a drop in UNCED's vast, waiting bucket.[1] Political realism and fiscal constraints augur little chance for a dramatic increase in disbursable resources for overseas aid from the OECD countries; even the Japanese program, which reached $10.95 billion in 1991, may peak this year. Yet a simple reallocation by the Clinton administration of existing sums, plus a modest topping-up of the pot, would signal a marked and encouraging shift away from earlier apathy.[2]

Inroads Through the Grass Roots

IN THE BROADEST SENSE the United States stands to gain by helping developing countries; the argument that a more prosperous world benefits America commercially is hoary but accurate. America's new development assistance program must place the focus less on governments and more on community-based efforts to alleviate poverty and achieve environmentally sound forms of development. The near-desperate condition of scores of Third World states will force at least a reluctant acquiescence by their governments in decentralized aid administration.

Several U.S. government agencies already deal directly with the grass roots. While any aid program will experience a level of waste and corruption, funds sent straight to the field, often in relatively small amounts via nongovernmental organizations are far more likely to be better spent than those flowing into the treasuries of countries, such as Somalia, where any effective government has ceased to exist.

In the Third World's rural areas U.S. support for sustainable agriculture, fishery and forestry practices and integrated conservation and development projects would enhance local economies, preserve biological diversity and reduce outputs of carbon dioxide and other greenhouse gases. The United States should also try to bolster the economies and infrastructure of

[1]Of the total of $26.3 billion in the FY 1993 U.S. budget, 54 percent is destined for the International Monetary Fund, the World Bank, regional development banks and other multilateral agencies. The bilateral portion of the foreign aid budget, amounting to just over $12 billion, includes food, military and security aid, politically motivated "economic support" funds and assistance in other nondevelopment categories.

[2]During 1992 a number of private organizations, including the Overseas Development Council, the Environmental and Energy Study Institute and the World Resources Institute, recommended recasting America's bilateral development assistance along similar lines, urging initial annual funding in the $2 billion range.

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towns in these countries to slow the flow of migrants into already polluted and overcrowded capital cities (from which migrants often seek, in turn, to emigrate to the industrialized world). In selected shanty settlements ringing Third World cities, American aid should back community-based efforts to reduce poverty and achieve decent standards of sanitation, health and education.

In previous eras USAID funds have frequently been allocated to big-ticket infrastructure projects such as roads, dams or irrigation schemes. Often these projects have resulted in intended gains—units of energy supplied or number of hectares irrigated—but only at considerable and unforeseen environmental costs, including widespread deforestation or the spread of waterborne diseases. Because of their high cost, multilateral development banks should finance such projects—but only after careful study of environmental risks as well as conventional benefits.

"America's new development assistance program must place the focus less on governments and more on community-based efforts..."

Alternative grass-roots approaches are likely to be inherently "environmental" because their success will often depend on careful use of locally husbanded resources. These participatory programs will also offer greater flexibility and tend to promote both job creation and democratic values.

Taming Population Growth

GRASS-ROOTS development schemes on their own will never achieve significant success unless matched by a straightforward U.S. effort to stabilize the world's fast-growing population. This fundamental need cannot be overstated. What happens during the current decade, as one forecast puts it, "will largely determine whether the world's population can be stabilized in the first half of the next century at somewhat less than its current size of 5.4 billion, or whether it will eventually triple its current size."[3] To help maintain environmental quality, to gain momentum in allevi-

[3]Sharon L. Camp, "Slowing Population Growth," in *Challenges and Priorities in the 1990s*, Washington, (DC): Overseas Development Council 1992, p. 482.

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ating poverty or even to slow global environmental degradation emanating from overpopulated developing countries—all of this depends on world population growth coming in at the low rather than the high end of these estimates.

Genuine U.S. support for global population stabilization must therefore form the second major component of the Sustainable Development Initiative. Before Washington can move forward, it must de-link its global aid program from the domestic abortion debate. It must return to the position of leadership in providing family planning services that it held, with considerable success, during the 1970s. Though demand for this sort of support has never been greater, both world contraceptive use and the contraction of family size slowed during the 1980s—largely because of U.S. curtailments. More vigorous American participation, both bilaterally and through the underfunded although effective U.N. Population Fund, would help rebuild momentum.[4]

Foreign Aid that Creates American Jobs

A SEPARATE, sharply focused effort to provide vigorous government assistance for American exports of high-quality environmental goods and services (EGS) is the third essential component of the Sustainable Development Initiative. While few yet count support for business as development assistance, Americans should begin aggressively to do so with environmental technologies—both to move the world closer to sustainability and to improve the domestic image of "foreign aid" by creating American jobs.

The environmental industry in the United States, broadly defined to include pollution-prevention as well as pollution-control technologies, has become a core sector of the American economy. Domestically, the industry may generate 800,000 jobs and at least $80 billion in annual sales.[5] Though its expansion has slowed during the 1990s, a resumption of the boom in the industry may be expected if keen regulatory vigilance ensues in 1993 and beyond. But while the more than $400 billion export market for all United States merchandise

[4]For a full discussion of the population issue and new U.S. approaches, see Michael S. Teitelbaum, "The Population Threat," *Foreign Affairs*, Winter 1992/93, pp. 63–78.

[5]*The OECD Environment Industry: Situation, Prospects, and Government Policies,* Paris: Organization for Economic Cooperation and Development, 1992, p. 21. Other estimates place the U.S. industry's total sales at as high as $140 billion, and the worldwide market at $300 billion growing to $600 billion by the end of the century.

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constitutes another fast-growing segment of the U.S. economy, America's EGS providers have barely begun to sell overseas.

At the December 1992 economic conference in Little Rock, Arkansas, Vice President-elect Gore and others stressed that America has already lost export leadership in this sector. Germany has gained particular strength in water-treatment technologies, and its current level of $10 billion per annum in overall EGS exports surpasses the current U.S. volume of no more than $8 billion. Japan, specializing in air quality control mechanisms, is also moving into an ever stronger position in the EGS export market. Unless the United States makes competitive moves internationally (while also tightening domestic standards to stimulate research, development and production), it will surely lose further ground to these and other countries.

"While few yet count support for business as development assistance, Americans should begin aggressively to do so..."

EGS markets in Asia provide a vivid example of how Americans and Asians would benefit from the EGS export promotion element of a new bilateral aid program. Given the global reach of environmental security, both rich Asian economies and the most desperately poor inland provinces in, say, India and China emit toxins, pollutants and global-warming gases into the regional and global environment. In much of Asia increasingly intensive agriculture has meant a mounting use of chemical fertilizers and pesticides, contributing to coastal pollution that endangers fish and marine resources. Moreover conversion of agricultural land to industrial use has added toxins that are damaging to the region's widespread wet-rice agriculture.

What is worth underscoring is not just the mess that these countries have made, but the intensity of some of their recent responses. In Taiwan more than $10.6 billion has been put aside in the government's budget for an environmental cleanup during the years 1991–96. Similar allocations have emerged, however reluctantly, from other Asian governments, such as Indonesia and Thailand, in response both to middle-class activism and to complaints by environmentally threatened small farmers and fishermen. Asians see the array of

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environmental technologies possessed by the United States as a source of competitive strength; most also wish to see Washington remain active in the region. So long as America does not define the environmental tradeoff as a zero-sum outcome—requiring total cessation of an offending activity for an amorphous rationale of green purity—Asians seek to do something about the degradation brought about by their numbers and, in places, by their economic success.

American experts and technologies can help Asia to achieve better management of its lands and coastal waters and abate torrents of self-inflicted pollution. But Washington can do far more than support the Asian cleanup. Under the new aid program leverage applied via existing government bodies, such as the Trade and Development Agency, the Export-Import Bank, various national research laboratories or the Department of Energy would help American corporations. They would benefit, for example, by having their clean-energy technologies assist China, India and other energy-poor Asian countries in making environmentally sound use of high-sulfur coal. Such joint ventures would provide jobs for American workers, a more level playing field for American exporters of environmental technology, cleaner air in China and India and, not least, a slowing of the global production of smog and greenhouse gases.

U.S. backing for environmental exports should be conducted separately from general efforts to promote American trade. The innovative U.S.-Asia Environmental Partnership, which seeks to link Asia's emerging need for environmental technology to American capabilities, shows how aid can be married to green trade. Already the US-AEP helps novice American EGS exporters win footholds in the highly competitive Asian market. Similar entities could be established for Africa and Latin America.[6] Or the US-AEP might be expanded to take on roles in global monitoring and information dissemination. Either way, this new program, launched only last year, merits a higher profile.

Practicing What America Preaches

EVEN WITH THE ADDITION of the green trade component to a new bilateral aid program few ideas

[6]A bill to create a Latin American counterpart was introduced during the last session of Congress.

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advanced here will connect with the public, or build up much steam in Congress, without energetic leadership. After the November 1992 election the Clinton transition team began thinking hard about how to strengthen the sway of environmental concerns within a new administration. Success for the Sustainable Development Initiative, or a variation on this theme, depends on firm White House and Capitol Hill involvement to make it clear to pertinent senators and congressmen that its passage, to replace the Foreign Assistance Act of 1961, is an early priority.

Within the United States achieving true progress toward global sustainability will also require significant initiatives in federal departments, ranging from Agriculture (as in expanding the international programs of the U.S. Forest Service) to the Treasury (taking an ongoing interest in arranging debt-for-nature swaps and similar trades to preserve biological diversity). Import policy decisions made by Congress or by the office of the U.S. Special Trade Representative will directly affect the economic health of developing countries in desperate need of foreign exchange from commodity exports. When it finally achieves full status as a cabinet-level department the U.S. Environmental Protection Agency, which already aches to become more involved internationally, will be in a better position to offer pollution-control advice and technical assistance to other nations. As currently construed as a regulatory body, however, the EPA cannot and should not serve as a lead agency in promoting sustainable development at the core of a new bilateral aid program.

"The United States will need to reassert leadership in supporting and financing sustainable development and population programs at the United Nations..."

Comprehensive changes in U.S. global trade, monetary and investment policies will also be necessary. The United States will need to reassert leadership in supporting and financing sustainable development and population programs at the United Nations and at its agencies. The World Bank and the various regional development banks, such as the cash-rich Asian Development Bank, will require continuing support from the U.S. Treasury (which, in turn, must urge these inter-

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national financial institutions to accelerate progress toward supporting environmentally responsible growth). The promising Global Environment Facility, which the World Bank manages in partnership with the U.N. Environment Program and the U.N. Development Program, will have to overcome current bureaucratic conflicts and grow far beyond its current investment capacity of $1.3 billion.

As America makes these shifts in international perspective its full credibility abroad will become established only if it links these protestations of intent to a strenuous effort to achieve greater domestic sustainability. A commitment to achieve economic progress at home by reducing America's grossly disproportionate consumption of energy and other mostly nonrenewable resources would provide telling evidence that America practices what it preaches. So would agreeing to internationally negotiated targets and timetables for stabilizing the high levels of greenhouse gases that America emits—and that harm all nations.

Finally, the new bilateral aid program suggested here takes its cue from the profound shift in global thinking about the nature of development. Successive blueprints for material advancement have been tried, and have failed. Smokestack socialism, the fertilizer-fed Green Revolution, Basic Needs or Appropriate Technology (which favored—always for others—such wonders as hand-operated butter churns and nightsoil methane converters): all these and other prevailing wisdoms have seen their day. What remains is the sure sense that the carrying capacity of this planet cannot be sustained without measured reductions in human population growth and a lessening of the exploitive nature characterizing most development occurring after World War II.

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COMMENT AND CORRESPONDENCE

The articles in Foreign Affairs *convey the arguments and authority of their authors. The editors welcome comment from readers on major points in these pages or persuasive arguments to challenge the conclusions or implications. To encourage informed dialogue,* Foreign Affairs *will consider publishing substantive and brief responses to published articles. Submissions are subject to normal selection and editing practices.*

DEBATE OVER RUSSIA'S FUTURE

To the Editor:

Walter Laqueur in "Russian Nationalism" (*Foreign Affairs*, Winter 1992) is doubtless correct when he concludes that only the Russian people are capable of working their way out of their country's current predicament. He is on less solid ground, however, when he implies in his concluding paragraph that attitudes in the world outside Russia are irrelevant. Like every other nation, Russia's self-image (which, after all, is what "nationalism" is all about) will be affected by Russian perceptions of their country's image abroad.

If Russians are told incessantly by outsiders that Russia is a failure because communism went bankrupt and the Soviet empire collapsed, that Russia no longer counts as a player on the world scene because the West no longer considers it a military or ideological threat, that Russia is in fact incapable of developing true democracy because the necessary genes are lacking from its cultural DNA, then it will doubtless be more difficult for responsible Russian leaders to bring their country through its current time of troubles with political and economic freedom intact.

The fact is that the Soviet Union was not a *Russian* empire. Russia was a colony of the *Soviet* empire, an empire maintained by an ideology-based political machine. That machine at times exploited Russian nationalism, and ethnic Russians derived some benefits not available to other nationalities, but Russia was as colonized and exploited as the other nations subject to that empire.

This means that the Russian nation, like the other nations once under Soviet rule, is going through the trauma of decolonization. It must redefine the meaning of Russian nationhood and rethink the proper place of Russia in the world. Is Russia coterminous with the Russian Empire and successor Soviet empire at their most bloated extent, or is Russia something smaller and more limited—still multinational but four-fifths ethnic Russian rather than less than half? Russia's elected political leaders have wisely opted for the latter definition. If Russia is to have a future as a free society it is important that this choice be ratified ultimately in the perceptions of the Russian people as a whole. The real struggle for the Russian soul is not between "nationalism" and something else. It is, rather, over the content of the nationalism that will emerge.

If Russia's natural role in history is to be an empire holding in its clutch scores of other nations, then it is destined to be ruled by an authoritarian

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or totalitarian regime, since none other could maintain an empire. If, on the other hand, its future is to be a democratic state that protects the human rights of its citizens and allows their natural creativity full scope, then it cannot be an empire. But it can be a state that would make patriotic Russians proud.

At the outset, Dr. Laqueur draws a distinction between the "nationalism" of the chauvinist empire-builders on the one hand and the humane patriotism exemplified by Dmitri Likhachev on the other. Subsequently, however, it is not always clear to which "nationalism" his analysis refers. The distinction is crucial, and perhaps we could think more clearly about the subject if we set aside for the time ambiguous or contingent terms like "nationalism," "leftists," and "rightists."

We should also reject as the nonsense they are flippant "theories" such as the one that Russia can be stable only as an empire or a multitude of small units. If the twentieth century has taught us anything, it is that empires are not stable. There is no shred of evidence that a Russian empire would be more stable than the Soviet empire that just collapsed or the other defunct empires of this century. As for the multitude of small units, what would make them more stable than the German states of the eighteenth and early nineteenth century, or warlord China of the 1920s and 1930s? If stability cannot be achieved more or less within the bounds of the current Russian Federation, then it is likely to prove elusive in alternate configurations as well.

At times, Dr. Laqueur seems to be confused over the distinction between the Soviet Union and Russia. When he writes "If Russia had tried to accommodate Ukrainian nationalism...," I must wonder what he considers Yeltsin's negotiations with Kravchuk in 1990 and 1991, and the agreements signed between Russia and Ukraine at that time, if not attempts to accommodate Ukrainian nationalism. Indeed, they were more than that: they were attempts to make common cause against the Soviet imperial state structure, and the Ukrainian political leaders cooperated fully.

It was Gorbachev, the *Soviet* president, who failed to come to terms with Ukrainian national aspirations, not Yeltsin and the Russian leaders. Even after Ukraine declared its independence, a truncated union would have been possible if Russia's elected leaders had desired one: certainly Belorus and the five Central Asian states would have been willing to join Russia in a confederation or even a federation. But Russia's political leaders did not want a truncated federation because they (and much of the Russian public) viewed Central Asia—perhaps incorrectly, but no less genuinely—as a burden, not a jewel for some imperial crown.

The Russian decision to go it alone was a popular one, although naturally there has been concern about the fate of ethnic Russians living outside the Russian Federation. Aside from general feelings of ethnic solidarity, there is apprehension over the prospect of millions of refugees descending on Russia just when it feels least capable of accommodating them.

Nevertheless, there is scant ground for suggesting that most of the

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Russians who find themselves in non-Russian successor states are "at the mercy of new not-so-tolerant masters." The greatest concentrations of ethnic Russians abroad are in Kazakhstan and Ukraine, both of which have treated ethnic Russians with respect and granted them full rights of citizenship. The majority of Russians in the Crimea voted for Ukrainian independence, and while they may change their mind, they demonstrated that freeing themselves from the Soviet empire was more important than ethnic solidarity. There is no reason to assume that the latter factor is always and inevitably the decisive one.

Yes, Russia is adrift. The debate over its definition and its future rages. Groups—ill-defined to begin with, and with contours as flexible as an amoeba's—vie with each other. And the debate does not end there. In fact it goes on in the hearts of many individuals, still struggling for answers to the infernal questions confronting the nation now. But by no means all consider the breakup of the Soviet Union a loss for Russia, and there is no more inherent reason why Russians should feel a malaise at "separation" from Kiev than Anglo-Saxon Americans should at "separation" from London.

Only economics makes the potential trauma of "loss" greater in Russia's case than in those of France and Germany cited by Dr. Laqueur. The breakup of the Soviet empire has coincided with the collapse of the command economy, and both events have combined to create the economic chaos in the Soviet successor states from which Russians and all other former Soviet nationalities are now suffering. An upturn in the Russian economy that brings relief to the average Russian is much more important for the future of a healthy and democratic Russian patriotism than "possession" of ancient Kiev or a Russian flag flying over Baku and Khiva.

Russia *can* have a future without Ukraine, Belarus and Northern Kazakhstan, and a brilliant one at that, if she can work her way out of the current economic morass. If population were the prime measure of greatness, then China would long have exercised hegemony over the world. And if territory is the measure, how many countries can match that held even by today's Russian Federation? Would the world consider a Germany of "only" 150 million people, squeezed onto a territory the size of Yeltsin's Russian Federation, an object of contempt?

The loss of territories, most of which were never truly part of Russia, need not be as traumatic as Dr. Laqueur suggests. There is at least an even chance that a few decades from now the Russian public will be as patriotic and proud as the French, and as tolerant of the fact that some Russians live in other countries as the French are toward the *Wallons* in Belgium, the Swiss of *Suisse Romande*, and the French-speaking citizens of countries in Africa and North America.

Yes, only the Russians can decide this question. But the rest of us may be able to help them understand the implications of their choice.

JACK F. MATLOCK JR.
Former U.S. Ambassador
to the Soviet Union

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CHINA'S CONFUCIAN IDEAL

To the Editor:

Barber B. Conable Jr. and David M. Lampton contend in "China: The Coming Power" (*Foreign Affairs*, Winter 1992) that, because China's economy is robust, and because the Beijing government doesn't seem as tenuous as has been presumed, China's system is in fact stable. This is reminiscent of a widely shared belief, just before the 1989 Beijing Massacre, that there wouldn't be one, because the Chinese Army doesn't shoot Chinese. Both opinions rest on the optimism that the leadership in Beijing is a rational and coherent entity capable of mastering events. The truth is that the ongoing generational and ideological struggle in China is too savage and volatile to warrant such optimism.

The old leaders embraced Communism as the salvation for China and for themselves during traumatic times for China when they were still teenagers, and they have defended it ever since at immense personal sacrifice and the cost of millions of lives. No succeeding generation will have the same psychological need, stature and experience to sustain Communism. Without the octogenarians, and were there no clear and compelling democratic vision, China could succumb to fascism, fanaticism, fundamentalism, or even chaos.

But China has many strengths in building toward a democracy. They are rooted in its people and its enduring Confucian culture. Long before Western democratic ideas reached East Asia, Confucianism had imbued its inhabitants with a sense of equality and a belief in the goodness of human nature. This conviction was the basis for the almost classless society, without a hereditary nobility and without slavery, which existed in traditional China.

Confucius endowed his people with a practical idealism, the belief that if they behave well toward others, others might return the favor, and do likewise to many more, thus passing on civility that would induce and reinforce mutual gains in ever-expanding ripples. The Confucian stress on ethics, family and responsibility was the foundation in building a society of civil order, and its belief that with education anyone can achieve his potential was the basis of meritocracy. These Confucian qualities of civility, tolerance, equality and social mobility embraced a diverse people on an area much larger than Europe and created a civilization that was the most prosperous on earth for over a thousand years. These very qualities will serve equally well in building a prosperous and functional democratic society that will be of benefit to China and to the world.

DIMON LIU
Washington

NEW THREATS, NEW DEFENSE

To the Editor:

General Colin Powell's article, "U.S. Forces: Challenges Ahead" (*Foreign*

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Affairs, Winter 1992), recognizes that the regional nature of likely future conflicts requires flexible and mobile military forces. The article reports that "in the Pentagon we believe our military strategy fits the world we see developing like a tight leather glove." Apart from regional violence between states, however, a number of other forms of violence threatening international security and world order must be considered in shaping force structures and setting research priorities for the future. State-sponsored terrorism, the imposition of mass starvation in civil strife and genocide are but three examples.

Typically in such cases the United States and the international community recognize the interest at stake or the horror occurring, but are hesitant to act because of the potential additional loss of life, among the local population as well as the intervening force. Accordingly the United States and the international community require a broadened range of options, including limited-destruction and nonlethal military or quasi-military technologies (an area in which highly industrialized countries have a competitive advantage) and credible economic deterrents. On the military side, the Defense Department over the years (particularly under former Chief of Staff "Shy" Meyer) has investigated a number of options, if not always with the degree of urgency or presidential support given to other projects. For example, the movement of tanks, armored personnel carriers and all other vehicles can be halted by dropping substances that cause all air-breathing internal combustion engines to stop. Other substances can blind electronics/optics or make roads so slick that no vehicle can move. The Defense Advanced Research Projects Agency and the Livermore and Los Alamos laboratories are reportedly developing blinding lasers, chemical immobilizers, neural inhibitors and disorienting ultrasound devices. Our ability to destroy television and telephone communications was demonstrated in the Gulf War.

The second type of response involves longer-term economic deterrents and rests on the assumption that no nation can become part of the modern world without access to international communication, computer and credit networks. The denial of access to such networks, combined with the refusal of landing and port rights and the termination of television transmission, denying use of that significant means of control, indoctrination and ego gratification of dictators, can act as powerful disincentives to unacceptable behavior, provided rogue nations know in advance that the international community is prepared to invoke and maintain such sanctions. Deterrence, to be effective, must be credible; deterrents of the nature proposed may possess the requisite credibility that the threat of nuclear destruction of Tehran or Belgrade lacks.

These two categories of response to unconventional aggression raise a number of issues. For example, now that terrorist states are no longer supported by an international superpower, what responses are available to discourage state-supported terrorism? What adjustments are required by the defense and intelligence communities? What are the vulnerabilities of the United States and other G-7 countries in these areas, and do these require attention apart from the possibility of retaliation for high-tech interven-

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tion? What types of intrusive sanctions require the cooperation of many countries to be effective? In such cases, is U.N. approval a prerequisite? If one country is the primary target of state-sponsored terrorism, may that country unilaterally invoke a right of self defense? If a single citizen such as Salman Rushdie or a group of citizens in a particular country are the object of foreign state-supported terrorism, what unilateral or collective response is appropriate? Are there certain acts of warfare against civilian populations, such as the bombing or shelling of defenseless towns, that should be proscribed as war crimes calling for immediate intervention, and if so, intervention by whom? Are there cases in which a president would be wise to obtain a declaration of limited war by the Congress?

We enter now a new era, which requires thinking in new categories.

MALCOLM WIENER
New York

A QUANDARY BEQUEATHED

To the Editor:

It is worth noting that the quandary Robert Cullen describes in "Human Rights Quandary" (*Foreign Affairs*, Winter 1992) is rooted in part in the principal international agreements on rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights, both promulgated in 1966 by the United Nations and since then acceded to by most of the nations of the world. Although the former, in particular, is largely a treaty about individual rights, the two Covenants share in common a first article that embraces collective rights, stating that "all peoples have the right of self-determination."

Unfortunately, the incorporation of the "right of self-determination" in the major human rights treaties has had the pernicious effect of persuading many human rights advocates that they should give at least rhetorical support to the "right" to self-determination. Not to do so, it is often argued, is to be selective in choosing which internationally agreed upon rights one espouses. To those adopting this view, selectivity has a pejorative connotation. My own view is that, whatever the merits of self-determination in particular circumstances, it is not helpful to describe it as a right. Necessarily, self-determination is a question to be resolved on the basis of historical, geographical, demographic, economic and political considerations, not on the basis of the application of universal norms that should command adherence regardless of those considerations.

One of the foremost institutions through which the Reagan and Bush administrations sought to promote their conception of human rights was the National Endowment for Democracy. The anticommunism of the NED led it to provide support to nationalist movements that based their claim to democratic credentials on a commitment to majoritarian principles rather than on a devotion to individual rights. Such nationalist movements were considered by cold warriors to be more steadfast and unswerv-

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ing in their anticommunism than less strident movements committed to individual rights.

By supporting nationalist movements, the United States contributed to the current ascendancy in the former Soviet empire of forces that place self-determination and other collective rights at the forefront of their concerns and that are responsible for much of the current bloodshed in the region. Our side may have won the Cold War but, in the process, we have helped to ignite conflagrations that are producing several very hot wars.

ARYEH NEIER
Human Rights Watch

REALISTIC ENERGY SAVINGS?

To the Editor:

In "Fueling a Competitive Economy" (*Foreign Affairs*, Winter 1992/93), Joseph J. Romm and Amory B. Lovins present a refreshing vision of an American energy and industrial strategy that takes into account the reality of the connection between energy and environment, encourages the use of market forces to achieve both adequate energy supply and environmental protection, and serves to improve American security and economic competitiveness in the bargain. However, their use of data sometimes reflects hope more than sober assessment, stretching the credulity of believers and glossing over the barriers and pitfalls that must be negotiated by political leaders and policy formulators to move the nation in the new directions they rightly encourage. The likelihood of an automobile capable of running 150 miles-per-gallon reaching the market by the next decade is just one example. An October 1991 report of the Office of Technology Assessment suggests that even with substantial (and uncertain) advances in technology, a commercially available minicompact automobile would not be likely to perform at greater than 110 miles-per-gallon by the year 2010.

Some of the changes the authors propose might be relatively easy to achieve, but others will be possible only with effort and social adjustment, and still others will depend upon unpredictable technological advances. Painful experience shows that projections on the timing and magnitude of return on investment in research and development are more often wrong than right, and the easiest way to lose public support is to hold out overly optimistic expectations.

Even when people are aware of and concerned about the environment, their willingness to pay for its protection diminishes as the cost becomes more tangible. In a January 1992 poll, 68 percent of the respondents thought pollution was a problem requiring more government regulation to solve, but only 51 percent thought that solutions would require spending money and changing the behavior of Americans. Even fewer were "definitely" willing to spend an extra $50 in annual taxes to implement solutions, and only 37 percent favored a 25-cent-per-gallon gasoline tax increase.

The authors argue that U.S. energy intensity (the energy needed to pro-

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duce a dollar of GNP), which dropped by 25 percent from 1973 to 1986, could be improved another 50 or even 75 percent. Is that realistic? The improvement in energy efficiency in the 1973-1986 period was just enough to compensate for GNP growth; energy use did not actually decrease. Since 1986 there has been a slowdown in efficiency gains, not only in the United States but in other countries that had shown substantial progress earlier, suggesting that we may be reaching the limits of technology-based gains that do not require lifestyle changes. It is true that some other countries already do better than we do but, to the extent that such comparisons are valid, they may only prove how important lifestyle and energy tax structure can be, since these other countries have higher gasoline taxes, live in smaller quarters, travel shorter distances and use public transportation more than we do.

Romm and Lovins make sensible suggestions for moving in the direction of replacing coal and oil with natural gas or nonfossil energy sources, a much more promising way of actually reducing CO2 emissions (as well as some other undesirable pollutants). However, that is a long-term goal and their opposition to research efforts aimed at clean coal technology or other intermediate-term measures may be a question of allowing the best to be the enemy of the good, a frequent element in arguments among environmentalists today. Coal will be widely used for a long time in countries like the U.S. and China, and better coal technologies will help the environment and help the economy.

As sensible as the policies proposed by Romm and Lovins would be in simultaneously advancing environmental protection and economic development, they would be even more powerful if applied on a global scale. Although we spend more than $100 billion a year on environmental protection at home, we have been reluctant to spend even small fractions of that amount to protect ourselves from pollution originating elsewhere, and we have not yet committed to providing the $200 million per year agreed at the recent Rio conference as the U.S. share of the "environmental increment" of the 1993-1995 International Development Association fund. Ultimately, our willingness to embrace the global dimension of economic market development and environmental protection may be the true measure of our ability to achieve the goals that Romm and Lovins hold out for us.

KENNETH H. KELLER
Council on Foreign Relations

The authors respond:

Our detailed car-efficiency analysis is grounded in extensive discussions with a major American automaker. The ultralight-hybrid family car designs discussed in our citation integrate proven technologies in ways largely overlooked by OTA's earlier analysis of conventional, incremental refinements. Indeed, a dozen fairly conventional prototype cars recording 65-120 miles per gallon have already been built.

The 1986-89 slowdown in energy savings was due largely to policy blunders (like car-efficiency rollbacks) and plummeting oil prices. Far from

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nearing exhaustion, available technological savings of electricity and oil are now about twice as big but a third as costly as five years ago. Practical energy efficiency technologies continue to develop at a steady, if not accelerating, pace and at declining real cost. Dr. Keller's technological pessimism is thus completely unfounded. Barriers are indeed challenging—which is why we must start overcoming them now, or be doomed to an uncompetitive economy.

Our international energy efficiency comparisons were in fact already corrected for climate, house size, travel patterns and such, as well as for electric generation losses. Incidentally, other countries' high gasoline taxes do not make their cars more efficient than America's—thus, we proposed "feebates" instead.

The best energy supply options—gas and many renewables—are not a "long-term goal" but rather a practical option *today*, for America *and* for China. Buying "clean coal" (there is no such) instead would cost far more and worsen global warming.

We warmly endorse Dr. Keller's last point, especially about energy efficiency aid to other countries—with the former Soviet Union a particularly urgent priority.

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CHRONOLOGY 1992

Edited by Patricia Lee Dorff

THE UNITED STATES
(See also country, regional and topic entries)

JAN. 2. Boutros Boutros-Ghali of Egypt begins 5-year term as UN secretary general, replacing Javier Pérez de Cuéllar of Peru.

JAN. 28. President Bush delivers his 3rd State of the Union address to Congress; outlines approaches for combating the current economic recession and for reforming the health care system; hails US victory in Cold War and the end of communism and calls for total of $50 billion in defense cuts in 1993–97. In televised response Russian President Boris Yeltsin 1/29 proposes even deeper military cuts, with Russia and US each cutting strategic warheads to between 2,000 and 2,500 over 5-year period; calls for eventual end to all nuclear arms.

JAN. 29. President Bush sends Congress a $1.52 trillion proposed budget for FY 1993. Budget includes: Social Security, $302.3 billion; defense spending, $291 billion; and interest payments on the national debt, $315.8 billion; projects $399.4 billion budget deficit in 1992, topping record of $268.7 billion set in 1991.

JAN. 31. Leaders of the 15 governments of the UN Security Council gather at UN headquarters in New York for first-ever council summit; pledge to strengthen UN and to heighten its role in maintaining peace in the post-Cold War era; ratify nonbinding declaration on the future of the Security Council that welcomes use of UN peacekeeping forces, recognizes nonmilitary sources of international stability, pledges council's commitment to principle of collective security in dealing with threats to peace and in reversing acts of aggression, and asks secretary general to prepare recommendations on strengthening UN capacity for "preventive diplomacy, for peacemaking and peacekeeping."

FEB. 1. President Bush and Russian President Yeltsin hold informal talks at Camp David on arms control and Western aid to Russia; decide to hold formal summits in Moscow and Washington before end of 1992.

FEB. 8. Unmanned spacecraft *Ulysses* flies close to Jupiter en route to the sun. The probe, managed jointly by the European Space Agency and the US National Aeronautics and Space Administration (NASA), finds that the plant's turbulent magnetic field has altered dramatically since last spacecraft visited in late 1970s.

FEB. 11. President Bush directs US producers of chemicals that damage the ozone layer to stop all such production by end of 1995.

MAR. 2. UN admits 9 new countries—Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan and San Marino—raising total membership to 175.

MAR. 5. House of Representatives passes $1.5 trillion Democratic budget plan for FY 1993, by 215–201 vote.

MAR. 24.–Apr. 2. US space shuttle *Atlantis* initiates comprehensive space-based study of earth's atmosphere.

APR. 9. Former Panamanian military strongman General Manuel Antonio Noriega convicted on 8 counts of racketeering, drug trafficking and money laundering; acquitted on 2 charges of importing and distributing cocaine; sentenced to 40 years in prison 7/10.

APR. 29. Looting and violence break out across predominately black and Hispanic south-central Los Angeles after jury acquits 4 white Los Angeles police officers on all but 1 charge stemming from March 1991 beating of black motorist Rodney King. LA Mayor Tom Bradley declares state of emergency and California

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Governor Pete Wilson mobilizes National Guard. President Bush 5/1 orders in 1,500 Marines and 3,000 Army infantry troops; tours Los Angeles after riots and speaks with residents of devastated neighborhoods, pledging federal aid for cleanup and rebuilding 5/7–8. Bush administration and congressional leaders 6/12 promise quick action on aid package for US cities. Riots result in 58 deaths, damage estimated at $1 billion. Federal grand jury 8/5 indicts the 4 police officers on federal charges of violating King's civil rights.

—US Energy Secretary James D. Watkins announces that US will no longer produce enriched uranium for use in nuclear weapons.

MAY 5. US Senate ratifies Strategic Arms Reduction Treaty by 93–6 vote; Russian Supreme Soviet 11/4 ratifies START agreement.

MAY 7. Twenty-seventh amendment to US Constitution, a ban on midterm congressional pay raises first proposed by James Madison in 1789, goes into effect when Michigan becomes 38th state to approve amendment.

MAY 20. House Judiciary Committee announces inquiry into Bush administration's relations with Iraq prior to the Gulf War. News reports indicate that government pressed for continuation of US aid programs to Iraq despite mounting evidence that linked Iraq, allegedly diverting funds to buy weapons, to a $5 billion bank fraud case involving the Atlanta branch of Italy's Banco Nazionale del Lavoro (BNL).

JUNE 1. Christopher P. Drogoul, former BNL manager, pleads guilty in federal court to conspiring to transfer more than $4 billion in unauthorized loans from the Italian bank to Iraq between 1985–89. House Judiciary 6/2 holds first hearing to discuss appointment of special prosecutor to investigate the Bush administration's support of pre-Gulf War overtures to Iraq. Attorney General William Barr 8/10 rejects House Democrats' request to appoint independent counsel.

JUNE 9. US Secretary of State James A. Baker and Russian Foreign Minister Andrei Kozyrev meet in Washington for pre-summit discussions on reducing long-range nuclear weapons; reach tentative agreement that both countries will reduce strategic arsenals to 4,700 warheads, roughly 3,800 less than was permitted under START treaty, but fail to agree on timing or other substantive issues.

JUNE 11. House of Representatives defeats proposed constitutional amendment requiring federal government to work under a balanced budget. Measure, backed by President Bush and opposed by House Democratic leaders, falls 9 votes short of required two-thirds majority.

JUNE 16. Federal grand jury indicts former Defense Secretary Caspar Weinberger on 5 felony counts of lying to and obstructing a congressional inquiry in connection with the Iran-contra arms scandal. Federal prosecutor Lawrence E. Walsh 10/30 releases excerpt from notes taken in 1986 by Weinberger indicating that then Vice President Bush was aware of and supported Reagan administration's arms-for-hostage strategy; Bush denies any knowledge. Prosecutors 10/30 obtain new indictment against Weinberger for making false statements regarding his documents on Iran-contra affair. Weinberger 11/24 pleads not guilty. Bush 12/24 grants full pardons to 6 former officials in Ronald Reagan's administration, including Weinberger.

JUNE 16–17. President Bush and Russian President Yeltsin hold first official Russian-American summit in Washington. Leaders agree that US will have 3,500 warheads and Russia 3,000 by the year 2003. New agreement will leave US and Russia with less than one-half the warheads proposed under START. Yeltsin addresses joint session of Congress and requests approval of aid package to provide total of $610 million, plus a $12 billion increase in US contribution to the International Monetary Fund (IMF) to assist the former Soviet republics. Bush and Yeltsin sign 7 bilateral agreements: joint understanding aimed at drafting strategic arms treaty based on 6/9 agreement; space cooperation agreement; treaty of friendship and cooperation; joint statement on creating a global protection system;

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joint statement on curbing spread of weapons of mass destruction; agreement allowing US business ventures in Russia to avoid double taxation; and bilateral investment treaty. Bush announces that Russia will receive most-favored-nation trade status. Senate 8/2 and House 8/6 approve aid package.

JUNE 25–JULY 9. US space shuttle *Columbia* carries out scientific mission to test properties of various materials in absence of gravity; 14-day journey sets new endurance record for shuttle program.

JULY 9. Arkansas Governor Bill Clinton names Tennessee Senator Albert Gore as Democratic vice presidential running mate.

JULY 13–16. Democratic convention convenes in New York; Clinton 7/16 accepts party's presidential nomination; promises to revive US economy and outlines a "new covenant" that will offer "a new approach to government."

JULY 16. Undeclared independent candidate Ross Perot announces he will not run for the presidency, saying that his candidacy would likely force the presidential election into the House of Representatives: "Now that the Democratic Party has revitalized itself, I have concluded that we cannot win in November." Both Bush and Clinton praise Perot's decision and appeal to his supporters to join their respective campaigns. Perot 10/1 reenters race for presidency as independent candidate, citing both parties' unwillingness to discuss "the issues."

JULY 31. US space shuttle *Atlantis* blasts off on science mission; puts European satellite 8/6 into orbit after several unsuccessful attempts, but tethered satellite fails to unreel to full length, forcing space crew to abandon it. Shuttle returns 8/8.

AUG. 13. President Bush names Secretary Baker to replace Samuel K. Skinner as White House chief of staff and to oversee Bush's presidential reelection campaign.

AUG. 16. Republican National Convention meets in Houston; nominates President Bush for reelection 8/20 and Dan Quayle for vice president 8/21.

AUG. 24–26. Hurricane Andrew ravages southern Florida coast, causing estimated $20 billion in damages; leaves 13 people dead and 250,000 homeless; strikes Louisiana. President Bush 8/24 declares much of south Florida a federal disaster area; declares parts of Louisiana major disaster area 8/27; sends troops to help feed residents and rebuild damaged areas, and pledges that federal government will pay for nearly all the state's disaster-repair cost. Congress approves record $11.1 billion disaster-relief aid package for hurricane victims.

SEPT. 12–20. US space shuttle *Endeavor* tests behavior of living organisms in absence of gravity and ways to combat space sickness.

SEPT. 21. UN General Assembly opens 47th session in New York. President Bush announces administration's support of wider range of UN peacekeeping operations; pledges cooperation of US military and intelligence services, but fails to commit to US payment of $733 million in overdue UN peacekeeping and membership fees. Japanese Foreign Minister Michio Watanabe restates Japan's bid for a permanent seat on the Security Council; German Foreign Minister Klaus Kinkel makes same request for his country. Russian Foreign Minister Kozyrev asks General Assembly to set up an international trusteeship in the former Soviet non-Slavic republics to protect minorities from discrimination.

SEPT. 25. US launches *Mars Observer*, an unmanned spacecraft designed to orbit Mars, the first US trip to Mars since the mid-1970s.

OCT. 1. House and Senate vote $23 billion appropriations bill for Departments of Commerce, Justice and State and the federal judiciary. Bush 10/6 signs $253.8 billion defense appropriation bill for FY 1993; $22 billion appropriation bill for energy, water and nuclear-defense programs; $14 billion foreign aid bill, not including $10 billion in loan guarantees to Israel and $12.3 billion increase in US commitment to IMF; $12.15 billion appropriation bill for Interior Department and related agencies; $245.7 billion appropriation bill for Departments of Labor, Education, and Health and Human Services. 102nd Congress 10/9 adjourns.

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Oct. 11. President Bush, Democratic presidential nominee Clinton and independent presidential candidate Perot hold first of 3 presidential debates; second debate, with "town hall" format 10/15; third and last debate 10/19.

Oct. 12. NASA begins systematic search for signs of intelligent extraterrestrial life; reports that its new investigation, called the High Resolution Microwave Survey, will gather more information in its first 30 seconds than was collected in the previous 30 years.

Oct. 16. Attorney General Barr names retired federal judge Frederick B. Lacey as special prosecutor to probe allegations that Bush administration mishandled $5 billion bank fraud case involving loans to Iraq by BNL. Lacey 12/7 finds "no reasonable grounds to believe further investigation is warranted"; Barr 12/9 says he will not appoint independent counsel.

Oct. 22. US space shuttle *Columbia* lifts off; deploys Italian satellite and tests Canadian sensor in 10-day mission. Shuttle returns 11/1.

Nov. 3. In US presidential elections Democratic candidate Clinton defeats Republican President Bush and independent candidate Perot by a margin of 43%–38%–19% in popular vote. In electoral college Clinton wins 370 votes to Bush's 168. Democrats easily retain control of Congress and majority of governorships; Democrats hold previous Senate majority of 57; Republicans gain 9 House seats, leaving Democrats with comfortable 258–176 majority, with 1 independent. Democrats also pick up 2 more governer seats, giving them a total of 30, compared with 18 Republicans and 2 independents. Clinton 12/10 names Senator Lloyd Bentsen (D-Tex.) to be his Treasury Secretary; 12/11 names Robert Reich as Secretary of Labor, picks Carol Browner to lead Environmental Protection Agency; 12/12 names Thomas F. McLarty as chief of staff, Ronald H. Brown as Commerce Secretary; 12/22 selects Warren M. Christopher as Secretary of State and Representative Les Aspin (D-Wis.) as Secretary of Defense.

Dec. 2. US space shuttle *Discovery* launched on 7-day mission to deploy secret spy satellite.

Dec. 29. US and Russia agree on terms for nuclear arms treaty that would reduce each other's strategic arms by two-thirds, eliminating those weapons most likely to be used in preemptive first strike.

THE WORLD ECONOMY

Jan. 6. International Monetary Fund (IMF) lends El Salvador $60 million to help rebuild its economy after the Salvadoran government and Farabundo Martí National Liberation Front rebels sign peace treaty.

Jan. 16. European Parliament approves distribution of 1.58 billion European Currency Units ($2 billion) to aid countries in North Africa and Middle East; included are grants to Israel, Lebanon and Jordan intended to promote ongoing Middle East peace talks. Parliament blocks 310 million ECU in aid to Syria as members assail that country's record of human rights abuses; also cites human rights abuses in withholding 463 million ECU from Morocco.

Jan. 22. President Bush promises $645 million in US aid for the former Soviet republics in FY 1992 and 1993.

Jan. 26–28. Six-member Association of Southeast Asian Nations (ASEAN) meets for 2-day summit in Singapore; sign accord to create a regional common market within 15 years; agree to cut tariffs on selected manufactured items to 5% or less by the year 2008.

Feb. 6. World Bank and other international aid organizations provide $672 million package to help 7-month-old government in Ethiopia rebuild economy and infrastructure after decades of civil war.

Feb. 12–15. Oil ministers from the 13-member Organization of Petroleum

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Exporting Countries agree to cut total OPEC oil production by slightly more than one million barrels a day by reintroducing country production quotas.

FEB. 16–17. Five predominantly Muslim former Soviet republics in Central Asia become members of Economic Cooperation Organization during 2-day summit in Tehran, joining charter members Iran, Turkey and Pakistan in what Iran hails as nucleus of an Islamic common market.

FEB. 21. Government of Abu Dhabi, main shareholder of the Bank of Credit and Commerce International, agrees to pay BCCI creditors and depositors up to $2.2 billion to make good on their losses.

FEB. 25. Economic ministers of Group of Seven industrial nations meet in New York and promise to "strengthen world economic growth." US expresses disappointment that little was won in firm pledges to lower interest rates. G-7 leaders discuss needs of former Soviet republics but postpone any new aid commitments until scheduled April meeting; endorse granting early IMF membership to Russia and other former Soviet republics.

MAR. 31. IMF formally endorses Russia's economic reforms, paving way for Russia to become full IMF member and receive loans up to $4 billion.

—Japanese government announces measures to stimulate economy, including new low-interest loans from government and promotion of stock investment trusts. Nonetheless Japan's Nikkei stock average 4/5 plummets 14.2%.

APR. 1. President Bush and German Chancellor Helmut Kohl separately announce $24 billion aid package for the Russian federation by G-7 nations to become effective when Russia joins IMF. $6 billion will be used to stabilize Russian ruble and help make currency convertible to Western currencies; $18 billion will go toward export credits, humanitarian aid and general assistance.

APR. 3. Premier Aníbal Cavaco Silva announces that Portugal will peg the escudo into EC's exchange rate mechanism. Greece is only remaining EC nation staying inside scale of defined ranges.

APR. 7. Argentina and foreign-bank creditors reach agreement to forgive $8 billion of Argentina's $23 billion bank debt.

APR. 22. President Bush meets with EC President Jacques Delors and other EC leaders in unsuccessful effort to break stalemate in the General Agreement on Tariffs and Trade (GATT) Uruguay Round of multilateral trade talks; discussions stall on issue of farm subsidies. US and other leading agricultural exporters want the EC to reduce extensive farm subsidies, while the EC is seeking voluntary curbs on US exports of cereal substitutes.

APR. 26. Economic ministers of G-7 nations meet in Washington; endorse aid package of 4/1 for Russia under the auspices of IMF; urge Japan to stimulate its economy.

APR. 27. Russia and other former Soviet republics are offered membership in IMF and World Bank. IMF 6/1 formally votes to admit Russia as its 165th member.

MAY 2. Foreign ministers from 19 European nations sign European Economic Area (EEA) treaty in Oporto, Portugal, creating free-trade area between EC and the European Free Trade Association.

MAY 17. Voters in Switzerland approve referendum to join IMF and the World Bank.

MAY 18. Kazakhstan signs agreement with US oil company Chevron Corp. to develop the Tengiz oil field and other oil reserves. The development pact, calling for $20 billion of investment over 40 years, is the largest joint venture between a US company and a former Soviet republic.

MAY 21. EC agriculture ministers agree to reform Community's costly system of agricultural subsidies.

MAY 22. OPEC ministers agree to keep third-quarter 1992 oil production at OPEC's current ceiling of 23 million barrels per day.

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JUNE 20. Russian ruble ceases to be legal tender in Estonia and Latvia. Estonia introduces its own currency, the kroon; Latvia makes nonconvertible Latvian ruble the only legal tender.

JUNE 22. GATT suspends Yugoslavia as a member.

JULY 1. Russian government institutes "controlled-float" system for the ruble, eliminating currency's multiple fixed exchange rate.

JULY 6–8. G-7 leaders meet in Munich and report progress on stalled international trade talks but fail to reach formal agreement. Russian President Yeltsin 7/8 addresses G-7 leaders, who endorse $24 billion IMF aid package.

JULY 16. Germany's central bank, the Bundesbank, raises discount interest rate from 8% to 8.75%.

AUG. 12. Trade representatives from US, Canada and Mexico conclude 14 months of negotiations; announce a draft North American Free Trade Agreement (NAFTA) that will eliminate tariffs and other restrictions on trade and investment among the 3 countries over 15 years.

AUG. 13. Japan's Nikkei stock average plunges to its lowest level in 6 years, reflecting skepticism in government's ability to resuscitate economy. Government 8/28 announces that it will inject 10.7 trillion yen ($87 billion) into Japanese economy in one-time spending increase designed to end sluggish growth, prop up troubled banking industry and boost stock prices.

AUG. 28. EC finance ministers refuse to realign exchange rate mechanism of European Monetary System, despite pressure from surging value of German mark.

SEPT. 12. Asia-Pacific Economic Cooperation group agrees on plan for regional trade liberalization.

SEPT. 16. British government suspends sterling participation in European Monetary System after Bank of England fails to stem currency's fall below its floor against the German mark. British and European officials blame Germany for inflexible monetary policy; Bundesbank officials say Germany could have done nothing to prevent pound's collapse. Italy 9/17 follows Britain's lead and withdraws its currency from EMS; Spain agrees to devalue its weakened currency by 5%, but Spanish peseta remains in EMS. France and Germany 9/23 issue rare joint statement stressing their commitment to supporting value of French franc within EMS.

SEPT. 17. OPEC members agree to hold production steady at 24.2 million barrels per day during fourth quarter of 1992. Iran, pushing for output cut to force significant price increase, refuses to endorse pact. Ecuador withdraws from OPEC, citing annual $2 million membership fee and strict production limits.

SEPT. 19. G-7 finance ministers meet in Washington to discuss European currency crisis and reiterate their commitment to a managed exchange rate system; meet with Russian representatives to review Russia's reform plan and future economic assistance efforts.

SEPT. 22–24. IMF and the World Bank hold joint annual meeting in Washington; stress that international economic cooperation is best solution to currency crisis and economic slowdown. IMF criticizes US economic policies saying long-term economic growth will be stunted unless measures are taken to cut US budget deficit.

OCT. 2. President Bush and South Korean President Roh Tae Woo sign trade agreement to open access to South Korean market for US goods and to help South Korea expand its technological base.

OCT. 7. Trade representatives from US, Canada and Mexico initial proposed NAFTA accord at ceremony in San Antonio, Texas. Democratic presidential nominee Bill Clinton 10/7 endorses NAFTA, but says he will seek to add "supplemental agreements" strengthening Mexican environmental and worker-safety standards before signing bill. President Bush 12/17 signs NAFTA treaty along with Mexican and Canadian leaders, predicting an "explosion of growth" in North America.

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OCT. 11–12. Trade representatives from US and EC hold talks in Brussels aimed at concluding GATT Uruguay Round of international trade negotiations; talks fail to break deadlock over agricultural subsidies.

OCT. 22–23. ASEAN holds meeting in Philippines; plans to implement first integrated market, known as the ASEAN Free-Trade Area; each nation agrees to initiate tariff reductions on 15 categories of manufactured or processed agricultural goods by 1/1/93.

OCT. 23. China's central bank plans regulatory body to oversee country's growing stock markets.

NOV. 5. US announces imposition of 200% tariff on $300 million worth of exports from EC nations in retaliation for EC refusal to further reduce agricultural subsidies. EC foreign ministers split over potential trade war. France advocates immediate retaliation against US goods, but Germany and Britain convince partner nations to see if US persists in threatened tariffs. US and EC 11/20 agree on plan to reduce farm subsidies, but France says it will block final accord. France's National Assembly votes 301 to 251 for measure urging opposition to US-EC agreement, after widespread protests by French farmers.

NOV. 19. Sweden's central bank ends link between its currency and the European Currency Unit.

NOV. 27. OPEC members agree to cut oil production slightly for first quarter of 1993, in effort to reverse 10% decline in oil prices.

DEC. 6. Voters in Switzerland reject membership in planned EEA, with 50.3% against and 49.7% in favor.

EUROPE

JAN. 1. Croatia agrees to UN ceasefire during visit by UN special envoy, Cyrus Vance. Federal and Croatian military officials 1/2 pledge to withdraw their forces from conflict zone when ceasefire takes effect.

JAN. 7. Yugoslav air force jet shoots down unarmed European Community helicopter over Croatia, killing 5 EC observers.

JAN. 15. EC formally recognizes independence of Croatia and Slovenia.

JAN. 17. Former Greek Premier Andreas Papandreou is acquitted of corruption charges in Athens.

—Outlawed Provisional Irish Republican Army detonates bomb that kills 7 civilians in Northern Ireland.

JAN. 19. Incumbent Bulgarian President Zhelyu Zhelev wins new 5-year term in office in country's first direct presidential election, capturing 53% of vote and defeating Velko Valkanov, who wins 46%.

JAN. 21. Former East German border guard, convicted of shooting to death a man trying to flee to West Germany in 1989, sentenced to jail; another defendant receives suspended sentence.

JAN. 25. Parliament of Bosnia-Herzegovina votes to hold republic-wide referendum on independence from 2/29 through 3/1.

JAN. 29. Marrack Goulding, UN undersecretary for peacekeeping operations, fails to gain local authorities' support for UN peacekeeping deployment in Croatia. Branko Kostić of Montenegro, acting president of Yugoslavia, rejects federal agreement to support UN peace plan.

JAN. 30. Russian President Boris Yeltsin and British Prime Minister John Major meet in London and sign 15-point declaration of Anglo-Russian friendship; agree to set up telephone "hotline." Major offers £280 million in export credits and investment insurance for Russia and other former Soviet republics; Yeltsin invites Major to Moscow.

—Irish Prime Minister Charles Haughey resigns on allegations linking him to

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decade-old government wiretapping scandal; former Finance Minister Albert Reynolds confirmed as successor by parliament vote 84–78.

—Estonian parliament approves new government headed by Premier Tiit Vähi, a former transportation minister, after former Premier Edgar Savisaar resigns 1/23 in dispute over food and fuel shortages.

FEB. 1. Commonwealth of Independent States agrees to withdraw estimated 100,000 ex-Soviet troops stationed in Baltic region; troops to leave Lithuania in late February and Latvia in March.

FEB. 4. French President François Mitterrand refuses to change government after controversy over admitting radical Palestinian leader George Habash into France 1/29 for medical treatment. Several leading French civil servants resign 1/30–2/3; minority Socialist Party government of Premier Edith Cresson survives no-confidence vote in National Assembly.

FEB. 7. Presidents Yeltsin and Mitterrand agree on unprecedented political, economic and military cooperation between Russia and France, on last day of Yeltsin's 3-day visit to Paris. France grants Russia $370 million line of credit to import French grain; opens $22 million credit for French technical assistance and transfers to Russia terms of $405 million barter agreement signed with the former USSR in 1991.

FEB. 9. Romania holds first democratic local elections since World War II. National Salvation Front, which controls the national government, wins 38% of votes for cities' mayors but captures posts mainly in small towns and villages; main opposition, a coalition of 14 political parties known as the Democratic Convention, takes 30% of mayoral votes but does well in major cities.

FEB. 12. Slovak parliament rejects federation to keep Czechoslovakia intact with more Slovak autonomy.

FEB. 21. UN Security Council unanimously resolves to send nearly 14,400 peacekeeping troops to Croatia to enforce truce in Yugoslav civil war and to protect ethnic Serb minority. Milan Babic, president of the "Serbian Republic of Krajina," ends his opposition to deployment of UN peacekeepers 2/22. Serbian President Slobodan Milošević 2/27 says UN decision marks end of civil war and was a "great success for Serbian policy"; Croatian President Franjo Tudjman says he "fully and unconditionally" supports deployment.

FEB. 22. Maltese Prime Minister Edward Fenech Adami wins reelection when his Nationalist Party takes 51.8% of vote in general elections, giving Nationalists an absolute majority of 3 seats in nation's parliament; opposition Labor Party polls 46.5%.

FEB. 27. German Chancellor Helmut Kohl and Czechoslovak President Václav Havel sign new friendship treaty, affirming current borders and pledging cooperation on economic, cultural and environmental matters.

FEB. 29. Voters in Bosnia-Herzegovina overwhelmingly support independence in republic-wide referendum.

MAR. 3. Hungary's Constitutional Court overturns new law that would permit the criminal prosecution of major former officials of the communist era.

MAR. 5. Poland's lower house of parliament, the Sejm, rejects center-right coalition's plan to ease country's "shock therapy" economic reforms.

MAR. 7. Flemish Christian Democrat Jean-Luc Dehaene sworn in as premier of Belgium; takes office 15 weeks after inconclusive elections on 11/25/91. Dehaene succeeds fellow party member Wilfried Martens. Four-party coalition will hold 120 seats in Belgium's 212-seat parliament.

MAR. 13–15. Strong earthquakes strike eastern Turkey, killing several hundred people.

MAR. 15. Jordi Pujol i Soley, a conservative nationalist, is reelected head of Catalonia's autonomous regional government. Pujol's Convergència i Unió party wins 46.2% of vote and 70 seats in 135-seat regional parliament in Barcelona;

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Socialists, who control the Spanish central government under Premier Felipe Gonzales Márquez, win 40 seats with 27.5% of vote, the worst showing for Socialists in Catalonia since the autonomous region was created in 1980.

MAR. 18. Finland applies to join EC.

MAR. 22. France's ruling Socialist Party is routed in elections for regional assemblies, receiving less than 18.3% of nationwide vote. National Front takes 13.9%; Conservative Union for France, composed of the neo-Gaullist Rally for the Republic and the center-right Union for French Democracy, receives 33%; Greens get 6.8% and new Ecology Generation Party wins 7.1%; Communists take 8%. French Premier Edith Cresson 4/2 resigns, ending 11-month tenure plagued by financial scandals and controversies over immigration and high unemployment; President Mitterrand names Finance Minister Pierre Bérégovoy as her successor.

—Albanian Democratic Party, the largest opposition group, routs the Socialist (formerly communist) Party in national elections, capturing 62% of vote, compared with the Socialists' 25%. Sali Berisha, leader of the Democratic Party of Albania, becomes Albania's first non-Marxist president 4/4.

MAR. 26. German government stops all arms deliveries to Turkey after reports of Turkish troops using German-built matériel during clashes with Kurdish rebels. Turkish President Turgut Özal 3/28–29 condemns decision. German Defense Minister Gerhard Stollenberg 3/31 resigns under criticism; Kohl 3/31 names Volker Rühe as new defense minister.

APR. 5. Right-wing parties score unexpected success in 2 German state elections; in Baden-Würtemberg the rightist Republican Party takes 10.9% of vote, and Christian Democratic Union Party of Chancellor Kohl loses absolute majority for first time in 20 years. Republican leader Franz Schönhuber, a former member of the Nazi SS elite forces, predicts his party will win representation in federal parliament in next general election in 1994.

APR. 5–6. Italy's four-party governing coalition loses majority in general elections; 16 parties win seats in parliament. Christian Democratic Party receives 29.7% of vote, with coalition partners reaching only 48.8%; Socialists' support falls to 13.6%; Democratic Party of the left (the newly named communists) receives 16.1%. Populist Lombard League, a northern-based party led by Umberto Bossi, receives 8.7% vote.

APR. 7. EC and US recognize Bosnia-Herzegovina as independent state; US also recognizes Croatia and Slovenia. Serb guerrillas and factions of Serb-dominated Yugoslav military resist Muslim Slavs and ethnic Croats 3/22–4/9, thus extending Yugoslav civil war to Bosnia-Herzegovina. 1,200 UN peacekeeping troops arrive in Croatia 4/4; Lord Carrington 4/9 reconvenes EC peace talks in Brussels.

APR. 8. France suspends nuclear weapons testing program for 1992. French Premier Bérégovoy outlines new political program to the National Assembly and names new cabinet.

APR. 9. British Prime Minister Major wins small majority in House of Commons, the fourth straight victory for the Conservatives. Conservatives win 336 seats in the 651-seat House of Commons, giving Tories 21-seat majority; Labour wins 271 seats; Liberal Democrats win 20 seats. Neil Kinnock 4/13 resigns as Labour leader; party 7/18 elects John Smith as his succeessor.

APR. 20. Romanian Supreme Court overturns 1991 acquittals of 21 Communist Party politburo members in regime of toppled President Nicolae Ceauşescu.

APR. 21. Romania and Germany sign treaty of friendship and cooperation.

APR. 24. Germany's public-sector workers launch first national strike since 1974, demanding 9.4% wage increase; strike ends 5/9 when unions and government agree to 5.45% pay package.

APR. 25. Italian President Francesco Cossiga resigns; parliament and regional representatives elect Oscar Luigi Scalfaro as president; at inauguration 5/28 Scalfaro urges constitutional reforms.

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APR. 26. Socialist Party candidate Rudolf Streicher wins first round of voting in Austria's presidential elections, but votes fall short of majority. In runoff election 5/24 Conservative People's Party candidate Thomas Klestil wins presidency with 56.8% of the vote, defeating Streicher, who polled 43.1%; Klestil 7/8 sworn in.

—Polish President Lech Wałęsa asks parliament to grant him strong executive powers. Polish Finance Minister Andrzej Olechowski 5/6 resigns to protest parliamentary failure to override court rulings that would require increases in government spending.

APR. 27. Yugoslav republics of Serbia and Montenegro proclaim new Federal Republic of Yugoslavia. Representatives of newly independent former Yugoslav republics and diplomats from the US, Canada and EC boycott ceremony.

MAY 5. Yugoslav collective presidency relinquishes control over Yugoslav armed forces remaining in Bosnia; army and Bosnian government sign truce. EC countries 5/11 and US 5/12 recall ambassadors to Yugoslavia; representatives to the Conference on Security and Cooperation in Europe 5/12 vote to bar Yugoslavia's representative from taking part in CSCE discussions on Yugoslav civil war.

MAY 13. Five-day ceasefire initiated by the Yugoslav republic of Serbia takes effect in Bosnia-Herzegovina, temporarily halts offensive by Serbian paramilitary forces in Bosnia.

MAY 18. Swiss government leaders announce that their country will apply to join EC.

—German Foreign Minister Hans-Dietrich Genscher resigns after 18 years in office, following split in Genscher's Free Democratic Party. Justice Minister Klaus Kinkel 4/28 confirmed as foreign minister.

MAY 21. Britain's House of Commons approves legislation to implement the treaty on European unity drafted by EC leaders at 1991 summit in Maastricht by overwhelming vote 336–92.

MAY 22. France and Germany agree to joint 35,000-member military force outside auspices of NATO. Designed to form the pillar of a European defense force under the Western European Union, proposal draws criticism from US and British officials, who fear it could undermine standing of NATO. France and Germany 11/30 reassure NATO allies and announce that planned army will be placed under "operational command" of the Atlantic alliance in event of a threat to West European security.

—UN General Assembly formally admits Croatia, Slovenia and Bosnia-Herzegovina to the world body.

—Polish President Wałęsa and Russian President Yeltsin sign second bilateral treaty of friendship and cooperation, during Wałęsa's first official visit to Russia. Yeltsin agrees to withdraw estimated 40,000 former Soviet troops stationed in Poland by 11/5.

MAY 24. Foreign ministers of 62 nations and representatives of 12 international organizations meet in Lisbon to discuss aid to former Soviet republics; much of conference, however, devoted to discussion of Yugoslav war.

MAY 25–29. British Prime Minister Major pays official visits to Poland, Czechoslovakia and Hungary and encourages moves toward free-market economic reforms.

MAY 27. EC imposes trade embargo on Yugoslavia in effort to halt fighting in Bosnia-Herzegovina. EC envoys urge UN Security Council to place oil and financial embargo on Yugoslavia. UN Security Council 5/30 imposes sweeping international sanctions that include a trade embargo and a freeze on Yugoslavia's foreign assets, by 13–0 vote with 2 abstentions. Bosnian capital, Sarajevo, and historical Croatian port city of Dubrovnik come under fierce shelling by Serbs in defiance of UN sanctions. Serbian President Milošević 5/31 dismisses sanctions as price his people have to pay for "supporting Serbs outside of Serbia."

MAY 31. Yugoslavia holds parliamentary elections. 50,000 protesters in Belgrade

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call for ouster of Serbian President Milošević; major opposition parties champion a voter boycott, claiming they have not been given enough time to organize for elections.

JUNE 2. Voters in Denmark narrowly reject the Maastricht treaty on European union. EC foreign ministers 6/4 hold emergency meeting on Danish vote and agree that the other 11 nations will press ahead with national ratification processes while deciding what to do about Denmark's rejection.

—Representatives of the Coordination Committee on Multilateral Export Controls (COCOM) agree to create an affiliate forum to include Russia and the other former Soviet republics. COCOM, including all NATO states, plus Japan and Australia, agrees to raise restrictions on the sale of advanced telecommunications equipment to the former Soviet republics.

JUNE 5. Revised version of 1990 Conventional Forces in Europe (CFE) Treaty is signed by 29 nations in Oslo; includes provision among former Soviet republics that settles the issue of division of arms and equipment that the Soviet Union was allowed to keep under original treaty.

—Poland's parliament votes, 261–149, to confirm Waldemar Pawlak as premier after Jan Olszewski is ousted on motion by President Wałęsa, who was angered by government's distribution of a list of prominent politicians alleged to have been communist collaborators.

JUNE 5–6. In national and regional elections Federal Finance Minister Václav Klaus and Slovak nationalist Vladimír Mečiar emerge as Czechoslovakia's two most important political figures. Klaus is chairman of right-wing Civic Democratic Party, which wins 33% of the vote for 83 seats in 300-seat Federal Assembly. President Havel 6/7 names Klaus premier-designate. Mečiar, a leftist former premier of the Slovak Republic, resumes that post; his Movement for a Democratic Slovakia captures plurality of seats in Slovak National Council with 30% of the vote for 57 seats in the Federal Assembly.

JUNE 15. British Secretary of Defense Malcolm Rifkind announces that tactical nuclear weapons will be removed from British navy ships and aircraft, reducing Britain's nuclear stockpile by about 70 weapons.

JUNE 17. Italian President Scalfaro selects Socialist Giuliano Amato as premier after Socialist leader and former Premier Bettino Craxi withdraws from consideration. Amato 6/28 is sworn in; succeeds Christian Democrat Giulio Andreotti.

JUNE 18. Irish voters approve Maastricht treaty by margin of more than 2-to-1, with 69% of vote.

JUNE 20. Czechoslovak federal Premier-designate Klaus and Slovak nationalist leader Mečiar form national caretaker government and prepare for transformation of Czech and Slovakia land into 2 separate countries. President Havel 6/21 pleads for national referendum on unity.

JUNE 23. France's parliament approves changes in French constitution designed to accommodate provisions of Maastricht treaty.

JUNE 26. EC leaders meet in Lisbon for semiannual summit; agree to proceed toward implementation of Maastricht treaty despite Danish voters' rejection; reappoint Jacques Delors to 2-year term as EC president.

JUNE 27. EC foreign ministers agree that Macedonia should receive EC recognition, but, acceding to Greek demands, only if former Yugoslav republic changes its name. Government of Macedonia 7/7 resigns over failure to convince other countries to recognize Macedonian independence unconditionally.

JUNE 28. About 100,000 people march in Belgrade to demand ouster of Serbian President Milošević and an end to the Yugoslav civil war.

JUNE 29. Small UN peacekeeping contingent occupies airport outside Sarajevo, held by Bosnian Serb forces who prevented food and medicine from reaching the city for nearly 3 months. UN Security Council votes unanimously to send "additional elements" of peacekeepers to Sarajevo to secure facility for uninterrupted

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delivery of humanitarian aid by air. French President Mitterrand flies to Sarajevo for 6-hour visit. Bosnian government claims 40,000 people, mostly civilians, have been killed by Serb forces since Bosnia's independence referendum. G-7 leaders 7/7 threaten to use force to support relief efforts in Bosnia.

JULY 1. Czechoslovak President Havel announces new 10-member federal cabinet with limited functions while Czech and Slovak parliaments prepare for possible separation of Czechoslovakia into 2 states. Havel's bid to win reelection as president is blocked by Slovak-led coalition of lawmakers 7/3. Slovak National Council adopts a "declaration of sovereignty" by vote of 113–24, in first move of a 3-step independence plan advocated by Slovak Premier Mečiar. Havel 7/20 resigns as president, saying that his opposition to the federation's dissolution makes it impossible for him to remain as head of state.

JULY 2. NATO discloses that US has removed all ground-based tactical nuclear weapons from Europe.

JULY 3. Ethnic Croat nationalists led by Mate Boban, head of Bosnia's Croatian Democratic Union, proclaim independent state of Herzeg-Bosnia.

JULY 8. Polish President Wałęsa nominates Hanna Suchocka to succeed Pawlak, who resigns 7/2 as premier after failing to form workable coalition government. Parliament 7/10 confirms Suchocka and her 23-member cabinet.

—CSCE suspends Yugoslavia's membership for 3 months, accusing Yugoslavia of aggression in Bosnia and Croatia.

JULY 10. NATO and the Western European Union separately agree to send warships to Adriatic Sea to tighten the trade embargo imposed on Yugoslavia by the UN Security Council; naval patrols, set to begin 7/16, will not be empowered to join in the fighting in Bosnia or Croatia.

—CSCE heads of state and foreign ministers conclude 2-day summit in Helsinki; Balkan crisis overshadows other issues. Summit leaders issue declaration characterizing CSCE as primary authority in Europe with regard to security threats on or to the continent; create permanent force of peace monitors; sign revised version of 1990 CFE treaty.

JULY 13. Security Council unanimously agrees to send additional 500 peacekeepers to Sarajevo to help keep airport open.

JULY 14. Yugoslav parliament confirms Milan Panic as Yugoslavia's premier.

—Prosecutors in Bulgaria arrest former communist Premier Georgi Filipov, charging him with embezzlement and misuse of state property.

JULY 23. Lithuanian Supreme Council chooses Aleksandras Abišala to succeed Gediminas Vagnorius as premier, who resigns 5/28 because of "destructive left-wing forces" who are allegedly inhibiting government efforts to improve the economy.

JULY 25. Estonia and Latvia adopt citizenship laws that effectively curb rights of ethnic Russians.

JULY 27. Estonian troops in capital exchange shots with Russian soldiers as tensions grow over continued Russian presence in the Baltic. Russia 8/7 asks for $7.7 billion from the Baltic states in exchange for withdrawing its troops from region by 1994.

JULY 29. Erich Honecker, leader of communist East Germany from 1971–89, is flown to Berlin to stand trial on charges of manslaughter and misappropriating state funds.

JULY 31. Greek parliament approves Maastricht treaty on European union by vote of 286–14.

AUG. 4. UN Security Council demands that International Red Cross and other relief agencies be allowed to inspect all detention centers in former Yugoslavia, following reports of atrocities against Slav Muslim and ethnic Croat civilians held in camps run by ethnic Serbs. UN suspends relief flights due to heavy fighting around the city. President Bush 8/6 calls for UN Security Council to authorize use of force

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to protect food and medicine deliveries to Sarajevo.

—Poland's parliament approves measure permitting government of Premier Suchocka to carry out economic policy by decree.

AUG. 13. UN Security Council authorizes use of military force to ensure delivery of humanitarian aid to Bosnia-Herzegovina; authorizes military action if necessary to protect food and medicine deliveries to Sarajevo, and demands unlimited access for International Red Cross and other humanitarian agencies to all camps, prisons and detention centers in Bosnia. UN Security Council condemns Serbian policy of "ethnic cleansing" through forced evacuations as a violation of international law.

AUG. 22–26. Gangs of right-wing youths urging the expulsion of foreigners from Germany riot on successive nights in northeastern German port city of Rostock; about 150 people injured and more than 200 arrests made.

AUG. 26. Czech Premier Klaus and Slovak Premier Mečiar agree on basic plan for peaceful division of Czechoslovakia into 2 independent states by 1/1/93.

AUG. 27. Adversaries in Yugoslav civil war meet in London and agree to comply with framework of peace accord reached during multinational conference jointly sponsored by EC and UN. Accord specifies that no territory gained by force will be recognized by international community. Serbian President Milošević and Bosnian Serb leader Radovan Karadzić accept accord but hedge on certain provisions, raising doubts about ceasefire. Yugoslav federal parliament 9/2 abandons drive to remove Premier Panic after he angers ruling Socialist Party with his strong support for the peace accords.

SEPT. 3. Italian military transport plane carrying UN relief supplies crashes mysteriously on its approach to Sarajevo, killing all 4 crew members. Two French UN peacekeeping soldiers 9/8 are killed near Sarajevo. UN Security Council 9/14 votes, 12–0 with 3 abstentions, to bolster UN peacekeepers in Bosnia-Herzegovina with up to 6,000 ground troops from NATO nations.

SEPT. 4. After 18-month trial, 7-judge panel convicts former Bulgarian Communist leader Todor Zhivkov of embezzling state funds and sentences him to 7 years in prison.

SEPT. 8. Russian President Yeltsin and Lithuanian President Vytautas Landsbergis announce Soviet withdrawal from Lithuania by 8/31/93.

SEPT. 20. French voters approve Maastricht treaty by narrow margin of 51.05% to 48.95%. Slim approval adds to doubts about whether European union treaty will go into effect in current form. In joint statement French President Mitterrand and German Chancellor Kohl declare: "We want the ratification of Maastricht. The process must not be stopped."

SEPT. 22. General Assembly expels Yugoslavia from the UN for Serbia's role in Bosnia-Herzegovina civil war.

SEPT. 24. Germany and Romania sign agreement that will send back to Romania thousands of Romanians whose asylum requests had been rejected by Germany. Deportations 11/2 begin.

SEPT. 30. Romanian President Ion Iliescu receives 48% of the presidential vote, beating out 5 other candidates, but short of a majority. In runoff elections 10/11 Iliescu defeats Emil Constantinescu, capturing 61% of the vote compared to Constantinescu's 39%.

OCT. 1. Czechoslovakia's parliament rejects move for creation of "Czech-Slovak Union" to supersede current federation. In response Czech Premier Klaus and Slovak Premier Mečiar 11/26 meet and sign pact reaffirming commitment to create 2 independent states by 1/1/93; special commission to decide division of state property.

OCT. 5. Estonia's Supreme Council chooses nationalist Lennart Meri as its chairman, the equivalent of state president. Meri's party, the center-right Fatherland Alliance, wins a plurality of 28 of 100 seats in parliament.

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Oct. 6. UN Security Council creates war-crimes commission for Bosnia-Herzegovina after widespread reports and allegations of atrocities in Bosnia. Security Council 10/3 votes to ban all flights by military aircraft over Bosnia-Herzegovina, creating a "no-fly zone," but stops short of authorizing military action to enforce flight ban. Karadzić and Boban, leaders of Bosnia's ethnic Serb and ethnic Croat communities respectively, reach agreement on unconditional ceasefire between their two forces 10/9. Yugoslav President Dobrica Cosić agrees to withdraw Yugoslav federal troops from the Prevlaka peninsula, the last area of Croatia still occupied by Yugoslav forces.

Oct. 10. Italian Socialist Premier Amato wins parliamentary vote of confidence on key part of his government's fiscal austerity program.

Oct. 15–16. Yugoslav Premier Panic visits Pristina, capital of Kosovo, and holds conciliatory talks with provinces's secession-minded ethnic Albanian leaders.

Oct. 18. Serbian police take over Yugoslav interior ministry, apparently on orders of President Milošević.

Oct. 19. In face of widespread criticism the government of British Prime Minister Major scales back plan to shut down 31 of Britain's 50 coal mines; House of Commons approves plans to close down only 10 mines, by narrow margin, 320–307.

Oct. 24. Thousands march in Budapest and other cities against rise of neo-Nazism in Hungary.

Oct. 25. Democratic Labor Party, made up of ex-Communists, wins Lithuania's first post-Soviet parliamentary elections with 46.5% of total vote; Sajudis nationalist movement captures 22% of vote. In runoff elections 11/15 DLP wins majority in parliament over Sajudis party; gives DLP 79 seats in 141-seat parliament; Sajudis wins 35 seats. DLP leader Algirdas Mykolas Brazauskas says he will maintain Lithuanian sovereignty; insists on Russian withdrawal by 10/93.

Oct. 27. Special UN mediator Cyrus Vance and Lord Owen of the EC offer power-sharing plan to bring peace to Bosnia and preserve the country's territorial integrity; proposal calls for Bosnia to be divided into 10 ethnically mixed cantons with built-in guarantees of power-sharing and human rights.

—Denmark's main political parties agree on series of guarantees to win support for Maastricht treaty in planned 1993 referendum.

Oct. 28. Bulgarian Premier Filip Dimitrov and his cabinet resign after failing to win vote of confidence in parliament, 120–111.

Oct. 29. Russian President Yeltsin suspends pullout of Russian troops from the Baltic states because of "profound concern over the numerous infringements of rights" of the ethnic Russians in the Baltics.

Nov. 3. Yugoslav Premier Panic narrowly survives another attempt by Serbian nationalists in parliament to oust him from office.

—Bulgarian court sentences country's last Communist premier, Georgi Atanasov, to 10 years in prison after he is found guilty of giving supporters $8,400 in state funds that were to go to needy orphans.

—Founding members of Charter 77, Czechoslovakia's leading human rights organization, disband organization after concluding that it had accomplished its purpose.

Nov. 4. Romanian President Iliescu appoints Nicolae Vacaroiu as premier to replace Theodore Stolojan; parliament 11/19 approves new government.

—British Prime Minister Major narrowly wins key vote in House of Commons in face of opposition to his European policy from within his own Conservative Party. In surprise move Major 11/5 announces that final ratification of Maastricht treaty will not occur until May 1993.

Nov. 5. Prime Minister Albert Reynolds loses vote of confidence in Irish parliament, 88–77. Reynolds asks President Mary Robinson to dissolve legislature for new elections.

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Nov. 8. More than 350,000 demonstrators in Berlin condemn violence against foreigners in Germany. Anarchists pelt President Richard von Weizächker with eggs, tomatoes and paint bombs; Chancellor Kohl also ridiculed by left-wing protestors.

Nov. 9. Russian President Yeltsin visits Britain; signs treaty of friendship with Prime Minister Major; vows to take strong emergency measures to thwart any move to overthrow his government.

Nov. 16. UN Security Council imposes naval blockade against Yugoslavia, for the first time adding enforcement provisions to trade sanctions against the Serbian-led Belgrade government. NATO 11/18 agrees to enforce UN blockade. NATO warships 11/20 begin searching ships in Adriatic Sea.

Nov. 17. Germany's opposition Social Democratic Party endorses tightening laws on foreigners seeking asylum.

Nov. 20–22. Violence between radical leftist and rightist gangs erupts in 5 German towns, killing 1 person and wounding 25. Turkish woman and 2 girls 11/23 die in northern German town when rightist militants firebomb their homes; 9 people injured. In Berlin hundreds of demonstrators protest in solidarity with foreigners and 1,000 leftist radicals and Turks go on rampage in working-class district of Kreuzberg. Kohl's government 11/27 bans neo-Nazi group, the Nationalist Front, and police seize explosives and firearms from group's members. Kohl 11/29 vows that Germany will use the full force of the law against "the radical right mob"; bans second neo-Nazi party, the German Alternative, 12/10. More than 300,000 Germans 12/6 march peacefully through Munich in largest demonstration against intolerance, antisemitism and rightist violence.

Nov. 25. Czechoslovak Federal Assembly adopts constitutional amendment permitting the dissolution of the federation without a nationwide referendum; removing last major legal barrier to Czech and Slovak republics becoming independent on 1/1/93.

Nov. 26. Queen Elizabeth II of Britain announces that she will pay taxes on her private income and personally absorb a larger share of the royal family's public expenses.

Nov. 30. EC agrees to step up expulsions of some asylum seekers, but turns down appeal by Germany for other EC nations to accept greater share of refugees; delays plans to drop passport controls within EC scheduled to start 1/1/93.

Dec. 2. German parliament overwhelmingly approves Maastricht treaty.

Dec. 3. US concludes that Serbia is routinely violating UN ban on flights over Bosnia-Herzegovina; consults with European allies on measures authorizing force to stop the flights. Croatian President Tudjman welcomes action.

Dec. 7. Germany passes new law making it harder for asylum-seekers and refugees to enter Germany.

Dec. 8. Yugslav Supreme Court rules that Prime Minister Panic can run for president against incumbent Serbian President Milošević. President Cosić 12/14 endorses Panic.

Dec. 9. British Prime Minister Major announces that Prince Charles and Princess Diana will separate; emphasizes that there will be no change in the constitutional position of either monarch.

Dec. 11. EC leaders meeting in Scotland agree on compromise under which Denmark would vote again on Maastricht treaty in exchange for autonomy in areas of monetary union, citizenship and defense.

Dec. 17. NATO says it is willing to enforce a no-fly zone over Bosnia.

Dec. 20. Serbian President Milošević wins presidential elections with 56% of vote; his opponent, Prime Minister Panic receives 34% and denounces elections as fraulent. Voting irregularities are reported, leaving the election fairness in question.

—Over half-million Germans participate in antirightist rallies in at least 12 cities just hours after arsonists throw firebombs at refugee shelter in Baltic coastal

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city of Greifswald.

DEC. 29. Communists and nationalists combine forces in Yugoslav's federal parliament to oust Prime Minister Panic; name Deputy Prime Minister Radoje Kontic to head interim government.

DEC. 31. UN Secretary General Boutros Boutros-Ghali is jeered in Sarajevo after he flies in to press his appeal to Bosnian leaders not to open military offensive to break the seige of the capital.

RUSSIA AND THE COMMONWEALTH STATES

JAN. 2. Russian government eliminates state subsidies on most goods and services, allowing prices to soar, as first part of radical economic reform program. Ukraine, Belarus and Moldova also begin lifting price controls.

JAN. 4. Ukrainian President Leonid M. Kravchuk declares that all former Soviet military personnel in his territory must swear allegiance to Ukraine, including soldiers of the Black Sea fleet of the former Soviet Union. Russian President Boris Yeltsin 1/9 declares, "The Black Sea fleet was, is and will be Russia's." Russia and Ukraine 1/11 reach tentative agreement in Moscow calling for unspecified portion of Black Sea fleet to be given to Ukraine.

JAN. 6. Georgian President Zviad K. Gansakhurdia flees capital city, Tbilisi, after months of fighting between loyalists and rebel factions. Commanders of rebel forces form military governing council and assume power; council names Tengiz Sigua to head interim civilian government.

JAN. 16. Seven nations in the Commonwealth of Independent States (CIS) back joint commonwealth military force with common oath of allegiance; agree to enhance economic well-being of service personnel.

JAN. 18. Nearly 5,000 officers of the former Soviet military demonstrate outside the Kremlin to demand that the forces remain under unified command within the CIS.

JAN. 23. Ukraine and Turkmenistan reach economic and political agreements with Iran, including provisions for Iran to sell 45 million barrels of oil a year to Turkmenistan in return for diesel oil and natural gas.

FEB. 10. International airlift of food and medical supplies destined for 23 sites in the CIS begins. Some Russian aid officials criticize airlift as little more than "symbolic measure."

FEB. 11–16. US Secretary of State James A. Baker visits 6 former Soviet republics—Moldova, Armenia, Azerbaijan, Turkmenistan, Tajikistan and Uzbekistan—to initiate diplomatic relations on basis of principles laid down by President Bush in 1991. Baker 2/17–18 meets in Moscow with Russian leaders to discuss speeding the disarmament of superpower nuclear arsenals. Yeltsin asks US for additional $600 million in loan guarantees to allow Russia to buy grain in second quarter of 1992. US, Russia and Germany agree to establish international program to employ former Soviet nuclear weapons scientists in peacetime projects.

FEB. 14. CIS leaders meeting in Minsk fail to agree on unified military command. Ukraine, Moldova and Azerbaijan reassert intention to form individual militaries under civilian control, resisting appeals from Russia and many military officers to cooperate in a single defense force.

FEB. 26. Armenian forces overrun town of Khojaly, killing undetermined number of unarmed Azerbaijani civilians. Ayaz Mutalibov denounced as too moderate to lead war against Armenia; forced to resign 3/6 as president of Azerbaijan. Yakub Mamedov, speaker of the parliament, assumes role of acting president pending new elections.

FEB. 28. Three soldiers belonging to ex-Soviet troops based in Nagorno-Karabakh are killed in several days of artillery attacks by Armenians. High com-

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mand of CIS orders troops withdrawal. Armenian guerrillas 3/10 release 10 CIS army officers captured a day earlier.

MAR. 10. Georgia's ruling Military Council picks former Soviet Foreign Minister Eduard A. Shevardnadze to chair newly created State Council. European Community 3/23 extends diplomatic recognition to Georgia after Shevardnadze accepts EC's conditions for recognition.

MAR. 15. Officials from Armenia and Azerbaijan sign draft truce agreement in Tehran. Truce threatened when Armenian forces shell southern Azerbaijan city 3/16, killing 10. Special UN envoy Cyrus Vance flies to Azerbaijan 3/17 in effort to halt fighting. Foreign ministers of the North Atlantic Cooperation Council agree to support intervention by the Conference on Security and Cooperation in Europe (CSCE) to end fighting.

MAR. 20. Ten CIS presidents hold summit in Kiev, capital of Ukraine, but fail to resolve crucial military, economic or political issues.

APR. 6. First post-Soviet session of Russian Congress of People's Deputies opens. Deputies vote, 447–412 with 70 abstentions, to defeat conservative-sponsored motion of no confidence in President Yeltsin's radical economic reforms. Yeltsin 4/7 defends reform program. Russian cabinet 4/8 threatens to resign if congress tries to curtail Yeltsin's powers. Congress 4/15 declares conditional support for Yeltsin's reform program.

APR. 11. Russian President Yeltsin nationalizes and takes personal command of CIS forces stationed in Moldova, after 10 people die in fighting between Moldovan police and Slav separatists.

APR. 29–30. Russian and Ukrainian negotiators meet in Odessa but fail to reach final agreement on fate of former Soviet Black Sea fleet.

MAY 5. Kazahk President Nursultan Nazarbayev insists his country requires security guarantees from US, Russia and China before it surrenders strategic arms for destruction.

—Ukrainian parliament declares the "creation of a sovereign state, the republic of Crimea," subject to voter approval in region-wide referendum. Russian Supreme Soviet 5/21 votes, 136–18 with 20 abstentions, to annul the 1954 transfer of the Crimea region to Ukraine from Russia.

MAY 6. Ukrainian President Kravchuk promises, during visit to US, that his republic will cut its nuclear arsenal as required by US-Soviet 1991 Strategic Arms Reduction Treaty (START). Kravchuk and President Bush meet and sign several bilateral agreements, including most-favored-nation trade status.

—Opposition forces in Tajikistan mount demonstrations in Dushanbe. Armed forces seize capital, forcing Tajikistan President Nabiyev to take refuge in parliament building. In pact negotiated 5/10 between the president, opposition leaders and senior Muslim cleric, Nabiyev agrees to create coalition government featuring opposition figures in 8 key cabinet posts, including defense, foreign affairs, broadcasting, education and the central bank.

MAY 14. Azerbaijan parliament removes Acting President Yagub Mamedov and replaces him with former President Ayaz N. Mutalibov, after Armenians take over Nagorno-Karabakh town of Shusha on 5/8. Opposition forces capture presidential palace and state television station 5/15; Mutalibov goes into hiding. Armenian forces 5/18 attack Nakhichevan, an autonomous Azerbaijani enclave in Armenia that borders both Turkey and Iran. Azerbaijan's parliament 5/19 votes all legislative and executive power over to an opposition-dominated National Council.

MAY 15. Six of the 11 countries of the CIS sign mutual-security treaty at summit in Tashkent that pledges a collective military response should one of the countries be attacked by a foreign power; tacitly acknowledges demise of unified CIS armed forces. Participants agree to establish interrepublic banking system; reduce conventional forces in Germany; decide on rights to fly through each other's air space; agree in principle on sharing space program.

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MAY 19. Kazakhstan President Nazarbayev and President Bush reach agreement on a bilateral protocol to START treaty.

MAY 23. US and the 4 other nuclear-armed CIS members—Russia, Ukraine, Belarus and Kazakhstan—vow to comply with START treaty.

JUNE 7. Abulfaz Ali Elchibey, leader of the Popular Front, which is main component of Azerbaijan's interim government, is elected president.

JUNE 9. Moldovan Premier Valeriu Muravski and his cabinet resign under pressure; Moldovan parliament 7/1 confirms Andrei Sangheli as new leader.

JUNE 24. Georgian security forces crush attempted coup by armed rebels loyal to ousted President Gansakhurdia.

—Tensions between Georgia and Russia ease when Presidents Shevardnadze and Yeltsin and leaders of Ossetian regions agree to ceasefire. About 200 Georgian and 1,000 Russian peacekeeping troops 7/14 are deployed along Georgia's border with south Ossetia.

JULY 7. Moldovan parliament allows CIS peacekeeping troops in Dniester region in eastern Moldova, after hundreds of people are slain during period 5/19–7/7 in dispute over Slav separatism. Fighting compels 100,000 civilians to flee region. Russia and Moldova 7/21 agree to try and keep opposing forces apart in Dniester area.

JULY 23. Parliament of Abkhazia, autonomous region of northwestern Georgia located on the Black Sea, declares sovereignty in step toward independence from Georgia. Ethnic Georgians make up nearly 50% of population; less than 25% are ethnic Abkhaz, a predominately Muslim, Turkic-speaking people. Ruling Georgian State Council 7/25 says declaration null and void.

AUG. 3. Russian President Yeltsin and Ukrainian President Kravchuk agree that their countries should divide the former Soviet Black Sea fleet after 3-year period of joint control.

AUG. 9. Armenian President Levon Ter-Petrosyan invokes collective security pact in plea to CIS to assist Armenia against what he characterized as Azerbaijani "aggression."

AUG. 11. Georgia's interior minister, Roman Gventsadze, and 11 other Georgian officials kidnapped at gunpoint by partisans of deposed President Gamsakhurdia find refuge in Abkhazia. About 3,000 Georgian soldiers move into Abkhazia to prevent kidnappers from leaving area with hostages. Nearly 1,500 ethnic Abkhaz militiamen battle Georgian troops near town of Gagry, in western Georgia 8/25–26, killing more than 50 people. Secessionist Abkhaz guerrillas and their allies 10/2–6 reclaim about half of Abkhazia in surprise offensive against Georgian forces. Tensions between Georgia and Russia 10/3–11 rise amid allegations that the Russian military is arming, aiding and encouraging rebel forces.

AUG. 17. Armenian President Ter-Petrosyan survives no-confidence vote in parliament, after protesters blame him for Armenian setbacks in war with Azerbaijan.

AUG. 28. High-ranking Moldovan official, Alexandru Mosnau, says his government seeks reunification with neighboring Romania. About 64% of Moldova's 4.3 million people are ethnic Romanians, while Slavs make up quarter of population.

AUG. 31. Armed protestors storm presidential palace of Tajikistan President Rakhman Nabiyev and demand Nabiyev's resignation. When he refuses, parliamentary leaders and cabinet officials 9/2 vote no-confidence resolution and expel him from office. Nabiyev 9/7 resigns after being seized by opposition militiamen and demonstrators while attempting to flee capital of Dushanbe. Akbar Shah Iskandarov, speaker of parliament, assumes duties of presidency; says that opposition leaders do not intend to establish Islamic state in Tajikistan.

SEPT. 4. Russia, Kazakhstan, Kyrgyzstan and Uzbekistan send troops to Tajikistan to prevent smuggling of arms and drugs across republic's border from Afghanistan.

SEPT. 9. Russian President Yeltsin abruptly postpones trip to Japan and South

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Korea, citing "domestic problems."

SEPT. 14. Russia agrees to open biological research facilities to US and British inspections to ensure that 1972 treaty banning germ-warfare weapons is not being violated.

SEPT. 30. Ukrainian Premier Vitold P. Fokin resigns after criticism from lawmakers over Ukraine's faltering economy. Parliament 10/1 votes, 295–6, to dismiss Fokin's entire cabinet; confirms Leonid Kuchma as premier 10/13.

OCT. 1. Russia begins issuing vouchers to its 150 million citizens in effort to privatize up to 70% of its state-owned factories.

OCT. 11. Georgian State Council Chairman Shevardnadze chosen speaker of parliament, the equivalent of president, in republic's first post-Soviet elections.

OCT. 21. Russian Supreme Soviet rejects proposal by President Yeltsin to postpone scheduled winter session of the Congress of People's Deputies, clearing way for showdown between lawmakers and Yeltsin regime over economic reform.

NOV. 2. Russian President Yeltsin declares monthlong state of emergency in Russia's north Ossetia and Ingushetia regions to halt outbreak of ethnic fighting. Russian defense minister flies to north Ossetia region to assess ethnic fighting as Russian troops move in to disarm rival factions.

NOV. 10. Communist rebels tighten their grip on Tajikistan's capital, Dushanbe, calling on the ruling State Council to resign or risk a blockade.

NOV. 23. Russian President Yeltsin reaches accord with key critics on stopgap economic reforms. Plan includes compromises on both sides but retains main elements of government's economic program that sets up guideposts for production, inflation, "acceptable" living standards and ruble stabilization.

NOV. 30. Russia's Constitutional Court finds that President Yeltsin acted constitutionally when he banned the Communist Party's leadership and top bodies, but that the ban did not apply to local party organizations.

DEC. 1. Congress of People's Deputies opens. Russian President Yeltsin calls for political ceasefire and declares that the nation is showing signs of economic recovery, but admits lowering of living standards; vows to boost government support for factories. Fistfights break out in congress 12/3 after acting Prime Minister Yegor T. Gaidar appeals for centrist support to stop hardline attacks on market reforms. In secret balloting congress 12/5 narrowly rejects constitutional amendments to dilute Yetlsin's control over government and give new powers to a parliament dominated by hardliners; rejects 12/9 Yeltsin's nomination of Gaidar as prime minister by vote of 486–467 with 22 abstentions. In compromise meeting Yeltsin and rival leader, Ruslan I. Khasbulatov, agree to call for referendum on new constitution in April. Congress suspends session 12/11. Yeltsin 12/17 appoints Gaidar as presidential adviser on economic policy.

DEC. 14. Russian President Yeltsin choses Viktor Chernomyrdin as prime minister, to replace Gaidar. Chernomyrdin pledges loyalty to free-market policies but stresses that reforms must be achieved "without impoverishing our people." Yeltsin 12/23 approves cabinet put together by Chernomyrdin.

DEC. 17. German Chancellor Helmut Kohl visits Russia; announces $11.2 billion debt relief and expresses confidence that Russian President Yeltsin will resolve country's problems. Russia agrees to speed up withdrawal of former Soviet troops from Germany by 4 months to 8/31/94; in return Germany will spend additional $318 million to build housing in Russia for returnees.

THE MIDDLE EAST AND THE PERSIAN GULF

JAN. 3. Israel deports 12 Palestinian activists from occupied territories. Palestinian delegates to Middle East peace conference delay departure for scheduled new rounds of talks; Syrian, Lebanese and Jordanian delegations 1/4 follow suit. UN Security Council 1/6 strongly condemns Israel's announced deportation.

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Arab delegates hail the action; Syrians and Palestinians end boycott of Middle East peace conference.

JAN. 13–16. Arab and Israeli negotiators meet for second round of direct bilateral peace talks, but opposing sides unable to agree on substantive agendas. Talks end without date or location set for future meetings.

JAN. 19. Israel's right-wing Tehiya and Moledet parties withdraw from Prime Minister Yitzhak Shamir's coalition government to protest Israeli proposals for Palestinian self-determination in occupied territories, leaving coalition 2 seats short of majority. No-confidence motion against coalition government 1/27 defeated, 55–49.

JAN. 24. Bush administration says it will grant $10 billion in loan guarantees to Israel over next 5 years if Israel halts all settlement activity in occupied West Bank and Gaza Strip. President Bush 3/17 refuses to endorse congressional compromise measure for $10 billion in loan guarantees.

—China and India establish diplomatic relations with Israel.

JAN. 28–29. Delegates from Israel, 10 Arab states, the European Community (EC) and several other countries initiate talks in Moscow on Middle East regional issues, including arms control, economic development and resource management. Palestinian delegation does not participate because composition of delegation violated rules set by Israel and conference cosponsors.

FEB. 5. UN Security Council maintains economic sanctions against Iraq, citing Baghdad's failure to cooperate with ongoing UN effort to monitor and dismantle weapons of mass destruction.

FEB. 16. Sheikh Abbas al-Musawi, leader of the Lebanese Shiite organization Hezbollah, is killed when Israeli gun ships attack his motorcade in southern Lebanon. Car bomb 3/17 destroys Israeli embassy in downtown Buenos Aires, Argentina, killing 28 people and wounding 220. Islamic Jihad claims responsibility for attack in retaliation for Israeli assassination of Musawi.

FEB. 19. Yitzhak Rabin ousts Shimon Peres in primary election for leadership of Israel's Labor Party.

FEB. 20–21. Israeli army conducts 24-hour raid into Lebanon, seizing and partially demolishing 2 villages in effort to halt rocket attacks on northern Israel by Hezbollah rebels.

FEB. 24. Arab and Israeli negotiators begin third round of direct bilateral talks in Washington. Israelis introduce plan to establish limited self-government for Palestinians in occupied West Bank. Palestinian spokesperson 2/29 denounces Israeli plan as "an attempt to legitimize the Israeli annexation." Negotiators conclude talks 3/4 without agreement.

FEB. 26. Iraq refuses to allow UN team to begin dismantling Scud missile production plants and other Scud-related equipment and facilities as mandated by the Gulf War ceasefire. UN Security Council 2/28 condemns Iraq; rejects arguments from Iraqi envoy Tariq Aziz that Iraq had fulfilled its obligations; gives Iraq 3/26 deadline to submit plan for destruction of nuclear equipment and facilities. Iraq 3/19 discloses that it had concealed 89 Scuds and other ballistic missiles from UN arms inspectors after Gulf War. Iraq 3/20 agrees to comply fully with UN demands.

MAR. 1. King Fahd of Saudi Arabia issues series of decrees aimed at decentralizing political power and protecting certain individual rights—the first attempt to codify Saudi law in a written constitution; establishes new 60-member Consultative Council. King 9/17 names Justice Minister Muhammad Ibrahim al-Jubayr to serve as speaker.

MAR. 20–25. Fighting escalates in Turkey between government forces and Kurdish separatists, the Marxist Kurdish Workers Party (PKK); 75 people killed. Turkish war planes 3/25 attack Kurdish guerrilla bases in northern Iraq. Turkish Premier Suleyman Demirel 3/30 calls for Syria to end support of PKK, which

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reportedly trains rebels in Syrian-controlled Bekaa valley in Lebanon.

APR. 3. UN Security Council condemns Israel for allowing "the continued deterioration of the situation in the [Israeli-occupied] Gaza Strip." Criticism comes after clashes between Israeli troops and Palestinian demonstrators in Gaza leave 5 Arabs dead and more than 100 wounded.

APR. 5. Iranian airplanes bomb rebel bases near Iran-Iraq border in first major attack by Iran on an Iraqi target since ceasefire between the 2 countries in 1988. Iran says attack was in retaliation for guerrilla raid on 2 Kurdish villages in Iran. Iranian dissidents storm Iranian embassies and diplomatic missions in 10 countries to protest raid.

APR. 8. Palestine Liberation Organization leader Yasir Arafat rescued after his private airplane crashes in desert in southeastern Libya. 3 crewmen killed but PLO leader survives crash with only minor injuries.

APR. 10. Supporters of Iranian President Ali Akbar Hashemi Rafsanjani gain several new seats in Majlis (parliament) in opening rounds of Iran's legislative elections. Rafsanjani's supporters win a majority in Iran's parliament following runoff elections 5/8.

APR. 16. UN commission demarcating border between Iran and Iraq awards Kuwait part of Iraq's only operating seaport and large share of disputed oil field straddling both countries.

APR. 27–30. Arab and Israeli negotiators meet in Washington for direct bilateral peace talks. Discussions end after making little progress.

—Syria lifts travel restrictions on its 4,500 Jewish citizens; revokes laws curbing sale and purchase of property by Jews.

MAY 6. Israel boycotts scheduled multilateral talks on refugee issues and economic development in Middle East because Palestinians from outside occupied territories plan to attend.

—Lebanese Premier Umar Karami and 30-member cabinet resign amid nationwide rioting spurred by skyrocketing inflation and collapse of country's currency. Lebanese President Ilyas Hrawi names Sunni Muslim Rashid al-Sulh as premier to replace Karami.

MAY 19. Kurds in northeastern Iraq hold first free elections to an autonomous legislature. Elections end in virtual draw. Democratic Party of Kurdistan and the Patriotic Union of Kurdistan 5/22 agree to share power. Kurdish autonomous parliament in Iraq 6/4 convenes for first time. Jawhar Namiq Salem, an economist, is elected as speaker of Iraqi Kurdistan National Assembly.

MAY 19–27. Fighting between Muslim guerrillas and Israeli-backed forces in Lebanon escalates as Israel bombards suspected guerrilla bases near Israeli-controlled "security zone." 24 people killed and 55 wounded in week's fighting.

JUNE 17. German relief workers Heinrich Struebig and Thomas Kemptner are freed by Lebanese Shiite guerrillas after more than 3 years of captivity, the last Westerners known to be held hostage in Lebanon.

JUNE 23. Israel's opposition Labor Party wins national parliamentary elections, soundly defeating the ruling Likud Party led by Prime Minister Shamir. 25 parties compete in elections. Labor increases its parliamentary representation to 44 seats in 120-member Knesset (parliament); Likud keeps 32 seats. Some Arab leaders applaud defeat of hardline Likud administration; express cautious optimism about prospects for peace process and Palestinian autonomy under a Labor government. US Secretary of State James A. Baker 6/24 calls for resumption of Arab-Israeli peace talks. Knesset 7/13 confirms Rabin as prime minister; approves coalition government. In inaugural address Rabin urges Israel to end its "isolation" and "join the international movement toward peace, reconciliation and cooperation."

JUNE 26. Turkish parliament votes, 228 to 136, to allow US and allied military forces to remain in Turkey for another 6 months as part of "rapid reaction force" to protect Kurds in northern Iraq from Iraqi military attacks.

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JULY 2. Members of Iraq's Republican Guard reportedly lead unsuccessful attempt to overthrow Iraqi President Saddam Hussein, provoking the president to purge hundreds of members of his officer corps. Iraqi officials 7/3 deny coup attempt.

JULY 5. Iraq refuses to allow UN inspectors to enter ministry building in Baghdad. Arms inspectors 7/22 withdraw without gaining admittance. White House says it has not ruled out military action against Iraq. Baghdad 7/26 agrees to allow UN arms experts to inspect building, but search of offices reveals no arms-related evidence.

JULY 19–23. US Secretary Baker meets with Middle East leaders in effort to restart stalled Arab-Israeli peace talks. US and Israeli officials signal that the 2 countries are nearing agreement to freeze construction of Jewish settlements in Israeli-occupied territories. Israeli Prime Minister Rabin 7/21 travels to Cairo to meet Egyptian President Hosni Mubarak, the first meeting between Israeli and Egyptian heads of state since 1986.

JULY 23. Jordanian parliament approves law ending 35-year-old ban on formation of political parties.

AUG. 3–4. About 2,000 US Marines and other troops land in Kuwait to begin 2 weeks of joint US-Kuwaiti military exercises as part of 1991 defense pact.

AUG. 6. Israel temporarily suspends allocation of state-owned land to settlers in occupied territories.

AUG. 11. Israeli Prime Minister Rabin and President Bush reach agreement by which US will grant $10 billion in loan guarantees to Israel.

AUG. 18. Britain and France back US plan to protect Shiite Muslims in Iraq. Plan calls for allied military aircraft to shoot down Iraqi fighter planes and helicopters that attempt to fly missions in southern Iraq.

AUG. 23. Lebanon holds opening round of its first parliamentary elections in 20 years. Lebanese Christians, comprising 30% of Lebanon's population, boycott polling, charging that elections are manipulated by Syria. Rigged election accusations 8/26 lead to resignations by Hussein al-Husseini, pro-Syrian speaker of parliament, and Foreign Minister Faris Bouez and Phalangist leader Georges Saade, after cabinet votes not to suspend elections or to nullify results of first round of voting. Disputed parliament votes completed 10/11. Nabih Berri, a Shiite Muslim and former cabinet member, elected speaker of parliament 10/20. Berri urges Christians who boycotted elections to seek reconciliation with the new parliament.

AUG. 24. Arab and Israeli negotiators meet in Washington to resume direct bilateral peace talks. Israel 8/25 announces willingness to return some of the Golan Heights to Syria as part of a comprehensive peace agreement. Syria 8/31 responds with offer to sign "peace settlement" that would set a timetable for Israeli withdrawal from the Golans. Negotiations 9/3 recess.

AUG. 26. US, Britain and France order Iraqi government to halt all aircraft flights over southern Iraq. President Bush warns that allied aircraft will "respond decisively" to shoot down Iraqi planes and helicopters in order to protect Shiite Muslims in region from attack.

SEPT. 4. Director of UN weapons-inspection team in Iraq announces that Gulf War and ensuing disarmament efforts by UN have left Iraq without means to build nuclear weapons.

SEPT. 10. Iran declares sovereignty over 3 Persian Gulf islands that it has governed jointly with the United Arab Emirates since 1971. UAE and 7 other Arab states protest annexation.

—China agrees to provide Iran with nuclear power plant. The 300-megawatt facility will be Iran's first atomic power station.

SEPT. 11. President Bush approves sale of 72 sophisticated F-15 fighter jets to Saudi Arabia; Israel opposes sale but says it will not pressure US Congress to block transaction.

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SEPT. 14. Sixth round of bilateral peace talks resumes, after Syrian President Hafez al-Assad asserts publicly for the first time that Syria is willing to negotiate peace treaty with Israel. Talks fall short of hoped-for agreement between Israel and Syria over control of disputed Golan Heights region; recess 9/24.

SEPT. 23–27. Delegates from more than 30 Iraqi groups opposed to President Saddam Hussein meet in nominally Kurdish-controlled northeastern Iraq; agree to unify efforts to topple Hussein's government.

OCT. 2. UN Security Council votes to allow UN members to seize Iraqi assets currently frozen abroad. Assets, currently valued at $500 million to $1 billion, will pay for UN disarmament and relief efforts in Iraq and for compensation for victims of Iraq's 1990 invasion of Kuwait.

OCT. 5. Political opponents of ruling Sabah family win majority of National Assembly in Kuwait's first parliamentary elections since 1985. Emir Sheikh Jabir al-Ahmad al-Sabah 10/12 appoints Crown Prince Saad al-Abdallah al-Sabah as Kuwaiti premier. Prince Saad 10/17 names new 16-member cabinet after previous cabinet resigns. Newly appointed ministers include 6 opposition deputies, the most ever named to Kuwaiti cabinet, though ruling Sabah family retains important posts of defense, foreign and interior ministries.

OCT. 7–18. Hunger strike by 3,000 Palestinian prisoners provokes wave of unrest in Israel and occupied territories. Demonstrations in support of prisoners 10/18 lead to clashes with Israeli police. 12 Palestinians killed.

OCT. 8. Prime Minister Peres announces that Israel will no longer oppose participation of Palestinians from outside the occupied territories in discussions on regional economic and security issues.

OCT. 21–28. Arab and Israeli negotiators gather in Washington to begin seventh round of bilateral peace talks. New discussions are hampered by uncertainty over outcome of pending US presidential elections.

OCT. 22. Iraq and UN reach agreement permitting UN relief workers and lightly armed guards to continue to aid and protect Kurdish refugees in northern Iraq who have been displaced by civil strife following Gulf War.

—Lebanese President Hrawi names Sunni Muslim businessman Rafik al-Hariri to serve as Lebanon's premier. Hariri 10/31 names 30-minister cabinet in which he takes finance portfolio.

OCT. 25–27. Exchanges of artillery fire between Israeli military and Lebanese Shiite Muslim guerrillas increase.

NOV. 9. Arabs and Israelis resume peace talks amid tensions over scores of rocket attacks by Lebanon-based guerrillas against northern Israel. Negotiations 11/19 end early without progress.

NOV. 11. Israel takes part for first time in multilateral talks in Canada on future of Palestinian refugees.

NOV. 12. King Hussein of Jordan issues general amnesty that frees 140 political and criminal prisoners.

DEC. 2. Israel's parliament narrowly passes bill to revoke ban on meetings with PLO members.

DEC. 7. Israeli and Arab negotiators open another round of peace talks. Discussion clouded by continued violence along Lebanese border. To protest perceived lack of progress Palestinians send only 4 representatives instead of usual 14.

DEC. 9. Egyptian government seals off slum in Cairo and arrests 400 Islamic militants.

DEC. 12. Muslim fundamentalists kidnap Israeli soldier; officer found dead 12/15. Prime Minister Rabin says the Israeli government will "strike pitilessly" against fundamentalists but not abandon peace talks. In reprisal Israel orders immediate expulsion of 415 Palestinians linked to militant Islamic groups. Palestinians deported 12/17 into Israel's "security zone." Lebanon 12/18 refuses to accept Palestinians and Israel warns them against turning back. Deportation criti-

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cized by President Bush and UN. Israel 12/28 allows 10 Palestinians, who were wrongly deported, to return. Lebanon 12/31 rejects French proposal that deportees be placed under protection of UN peacekeepers in the area.

DEC. 27. US F-16 shoots down Iraqi warplane after Iraqi jets breach no-fly zone in southern Iraq. Baghdad condemns attack.

EAST ASIA AND THE PACIFIC

CHINA, JAPAN AND NORTHEAST ASIA

JAN. 1–10. President Bush tours Australia and Asia with 21 US executives in trip aimed at winning trade concessions. Bush 1/4 announces tentative agreement to shift command of US Navy's Seventh Fleet logistic operations to Singapore from the Philippines; will cancel annual joint military exercises with South Korea if North Korea signs International Atomic Energy Agency (IAEA) safeguards to prevent nuclear proliferation 1/6. Japanese Premier Kiichi Miyazawa 1/7 announces series of conciliatory moves to improve market for US goods in Japan and agrees to purchase more US products. Trade concessions overshadowed by Bush's collapse 1/8 at a state dinner in Tokyo. White House spokesman 1/9 says president's illness nothing more than 24-hour intestinal flu. Chairmen of the Big Three auto makers (Chrysler, Ford and General Motors) criticize Bush for failing to get adequate trade concessions; Japanese press derides Bush for acting like a "car salesman."

JAN. 30. North Korea signs IAEA's Nuclear Safeguard Agreement, opening its nuclear facilities to inspection.

FEB. 3. Japanese Premier Miyazawa criticizes US work ethic, saying "that the ethic of working by the sweat of one's brow has seemed to be lacking" among Americans in recent years. Remark reflects increasingly acrimonious debate between US and Japan over sources of US economic weakness.

FEB. 21. Bush administration lifts sanctions that blocked the shipment of certain high-tech items to China.

FEB. 25. US Congress renews China's status as most-favored-nation trading partner on condition that Beijing implements reforms in human rights, arms proliferation and trade. President Bush 3/2 vetoes conditional renewal of MFN; Senate 3/18 fails, 60–38, to override president's veto.

MAR. 14. North and South Korea agree to mutual inspection of suspected nuclear weapons sites by mid-June.

MAR. 20. National People's Congress opens in Beijing. Premier Li Peng gives mixed message, favoring some free-market economic reform but continued hardline stance against political dissent. Congress supports economic reforms; adjourns 4/3.

MAR. 24. Ruling Democratic Liberal Party fails to win a majority in South Korea's National Assembly. DLP wins 149 of 299 assembly seats, reducing President Roh Tae Woo's ruling party's share to a plurality of 49.8%; 2 main opposition groups capture 128 seats; minor and independent parties win other 22 seats.

APR. 25. British Conservative Party Chairman Chris Patten named governor of Hong Kong; replaces retiring Lord David Wilson. Patten sworn in 7/9.

MAY 7. North and South Korean premiers agree to reunite families who have been separated since the Korean War 40 years ago.

MAY 21. China conducts its largest nuclear test with an underground blast 70 times the force of US atomic bomb dropped on Hiroshima in 1945.

JUNE 2. President Bush announces that he will extend MFN status to China for another year.

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JUNE 15. Japanese Diet (parliament) approves bill that will allow up to 2,000 Japanese military personnel to be dispatched abroad to participate in UN peacekeeping missions.

JUNE 28. Mongolia's former communist party, the Mongolian People's Revolutionary Party, wins 70 out of 76 seat in multiparty elections for new unicameral parliament.

JULY 6. China and Britain end unsuccessful talks on Hong Kong's proposed new airport. Talks resume 9/16.

JULY 26. Japan's ruling Liberal Democratic Party and its allies regain control of upper house of parliament, when Premier Miyazawa's LDP wins 68 of 127 contested seats.

JULY 28. South and North Korea agree in principle to reestablish land, sea and air links for first time since Korean War; agree to cooperate on scientific, environmental and technological issues.

AUG. 11. Chinese officials temporarily suspend trading at stock exchange in southern city of Shenzhen after unrest breaks out among potential investors who wanted to join a lottery to purchase new shares.

AUG. 21. Following inconclusive bilateral trade discussions in Beijing, US threatens to impose tariffs of up to 100% on $3.9 billion of imports from China, unless Beijing lowers its trade barriers. US Congress 9/15 passes measure that would condition renewal of China's MFN trading status on progress in improving human rights, lowering trade barriers and adhering to curbs on nuclear and missile exports. China 10/9 agrees to lower trade barriers.

AUG. 24. South Korea and China establish diplomatic relations in formal ceremony in Beijing. Taiwan breaks diplomatic relations with South Korea.

SEPT. 2. Despite virtual ban of US arms sales to Taiwan since 1982, President Bush announces plan to sell 150 advanced F-16 fighter jets to Taiwan. China 9/3 denounces Bush's decision, stating that the proposed sale will impair US-China relations.

SEPT. 18. President Roh resigns as head of South Korea's ruling DLP; says he will replace many of his ministers in effort to create a "neutral election cabinet" before presidential elections in December.

SEPT. 20. Pro-China candidates win all 16 seats in elections for Legislative Assembly in Macao.

SEPT. 29. Tokyo court fines Shin Kanemaru, one of Japan's leading political power brokers, 200,000 yen ($1,700) for improperly accepting 500 million yen ($4 million) in contributions to his party, the ruling LDP. Kanemaru 10/14 resigns his seat in lower house of parliament following weeks of public outcry.

OCT. 7. Hong Kong's Governor Patten unveils plan to increase democracy in Hong Kong. China denounces Patten's plan as "irresponsible and imprudent." Hong Kong legislature supports Patten's reforms. China condemns council and threatens to abrogate agreement for China's scheduled 1997 takeover.

OCT. 9. Park Tae Joon resigns as chairman of South Korea's ruling DLP after feuding with party's presidential candidate Kim Young Sam, prompting exodus of conservative officials from party. DLP dissidents 10/23 form new conservative party, the New Korea Party, and announce intention to field candidate in upcoming presidential elections.

OCT. 12–18. Chinese Communist Party holds 14th National Congress; endorses ongoing economic reform policies of Deng Xiaoping and his commitment to preventing political reform by maintaining strict party control over government. Party Congress 10/18 picks 189-member Central Committee. 47% of full members chosen are new, and many hardliners are dropped. Central Committee 10/19 elects ruling Politburo, includes 14 new full members and 6 reelected from the body.

OCT. 23–28. Japanese Emperor Akihito and Empress Michiko tour China in first-ever official visit by Japanese heads of state to China.

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Nov. 18. Russian President Boris Yeltsin visits South Korea; signs friendship treaty; says Russia will halve its production of submarines and stop making them entirely within 3 years. South Korea 11/20 resumes $3 billion aid program to Russia that was suspended December 1991.

Dec. 17. Russian President Yeltsin arrives in China for 3-day visit; agrees to cooperate on military and technological projects; leaves early 12/19 after domestic problems surface in Russia.

Dec. 19. South Korean voters elect Kim Young Sam as president. Kim, who switched from the opposition to the ruling DLP two years ago, captures 42% of vote; challenger Kim Dae Jung receives 34%.

Southeast Asia and the Pacific

Jan. 7. Former First Lady Imelda Marcos declares candidacy for president of the Philippines; arraigned and charged with illegally creating corporations in Switzerland that were used to loot the Philippine treasury.

Mar. 15. Civilian chief of UN peacekeeping forces sent to administer transition to democracy in Cambodia arrives in Phnom Penh. Cambodian refugees 3/30 begin to cross Thai border into Cambodia on first day of UN-sponsored program to repatriate the exiles. Cambodian coalition Supreme National Council 4/1 agrees to sign 2 UN charters that form part of the International Bill of Rights.

Mar. 25. Narong Wongwan, a wealthy businessman, is unofficially named premier of Thailand. US State Department spokesperson says that Narong had been denied entrance to US because of suspected links to drug trafficking. Narong 4/5 withdraws himself from consideration; Thailand's promilitary parties select General Suchinda Kraprayoon, who had been involved in the military's 1991 coup, as premier. Opposition parties 4/7 protest. Suchinda 4/17 names 41-member cabinet.

Apr. 15. Papua New Guinea Prime Minister Rabbie Namaliu reports that rebels from outlawed separatist group on Bougainville island have executed a Bougainvillean peace negotiator and 7 others. The killings, attributed to Bougainville Revolutionary Army, destroy hopes for negotiated settlement to 4-year-old conflict.

Apr. 23. General Than Shwe, Myanmar's defense chief and head of the army, replaces General Saw Maung as chairman of ruling junta, after reports that Maung is suffering from poor health. Than Shwe 4/24 pledges to free some political prisoners and calls for convention to formulate principles of national constitution.

May 9. Over 150,000 Thai protesters demand resignation of Premier Suchinda. Protesters 5/11 suspend activities following week of demonstrations after government agrees to look into democratic reforms.

May 11. Philippines elect former Defense Secretary Fidel V. Ramos as president, to succeed Corazon Aquino. Ramos wins election with 5.34 million votes, or 24% of total. 13 people are killed in election-day violence; more than 70 policemen and civilians are killed during runup to elections. Joseph Estrada, a popular film actor and former senator, wins race for vice president 6/18. Ramos 6/30 inaugurated as president.

May 18. Thailand's military government declares state of emergency when more than 100,000 protesters gather in Bangkok to press for Premier Suchinda's resignation. Government arrests hundreds of protesters. US Defense Department 5/19 suspends joint US-Thai military maneuvers in northern Thailand. Suchinda resigns 5/22 after 5-party coalition that had nominated him withdraws its support. Crowd of 2,000 Thais surrounds parliament building to protest amnesty that had been granted Suchinda and others responsible for crackdown on demonstrations; demand those responsible be brought to trial.

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MAY 29–30. Fiji holds first general election since 2 military coups in 1987. Fijian President Penaia Kanatabatu Ganilau names coup leader Sitiveni Rabuka as prime minister 6/2. Fijian Political Party wins 30 of 37 seats reserved for native Fijians in 70-seat parliament; 27 seats reserved for native Indians, with remainder going to other national groups and Rotuman Islanders. Trade union-based Fiji Labour Party wins 13 of 27 seats reserved for ethnic Indians; national Federation Party gets 14 seats and Fijian Nationalist United Front receives 5 seats.

JUNE 9. Indonesia's ruling Golkar party wins 67% of vote in parliamentary elections, a slightly smaller percentage than earned in 1987. Muslim-based United Development Party keeps second-place position with 17.5% of vote, up from its 16% showing in previous years; populist Indonesian Democratic Party trails close behind with 15% of vote.

JUNE 10. King Bhumibol Adulyadej reappoints Anand Panyarachun as premier of Thailand.

JUNE 10–14. Khmer Rouge balks at second phase of Cambodian peace accord; refuses to place members in camps under supervision of UN peacekeeping forces and begins barring peacekeepers from territories it controls.

AUG. 1. Thailand's Interim Premier Panyarachun dismisses 4 top military commanders. Move follows defense ministry investigation of May military crackdown on prodemocracy demonstrators.

SEPT. 1. Philippine government removes foreign-exchange controls on all transactions except merchandise trade, in move intended to encourage foreign investment.

SEPT. 23. Thailand's Democrat Party secures 79 seats in 360-seat lower house of parliament; New Aspiration Party wins 51, Righteous Force Party receives 47 and Solidarity Party wins 8. The 4 parties form coalition, marking first time prodemocracy forces secure majority in parliament. Chuan Leekpai, Democrat Party leader, named premier of Thailand 10/23.

—Vietnam's National Assembly elects conservative General Le Duc Anh as state president; 9/24 reelects reformist Vo Van Kiet as premier; 10/1 approves cabinet.

OCT. 3. Australia's ruling Labor Party suffers crushing defeat in state parliamentary elections, losing power to Liberal Party-National Party coalition, which now commands a solid 30-seat majority in Victoria's new lower house. Coalition leader Jeff Kennet is sworn in as state premier 10/6, replacing Labor head Joan Kirner.

OCT. 23. Vietnam agrees to turn over to US all documents, photographs and personal effects in its possession related to US personnel in Vietnam War.

NOV. 6. US and Philippines agree that US ships, aircraft and troops will continue to have access to military installations in Philippines after US pulls out of last military bases there.

—Japanese government resumes broad economic ties with Vietnam, including offer of $375 million loan package.

NOV. 6–8. Officials from 10 countries meet for weekend talks aimed at salvaging Cambodian peace efforts, but fail to reach any agreement.

NOV. 24. US officials turn over Subic Bay Naval Base to Philippine government, ending nearly a century of US presence.

NOV. 30. UN Security Council imposes trade prohibitions on Cambodian regions controlled by Khmer Rouge; threatens to exclude rebels from Cambodia's first free elections in May if they do not allow voters to register. Khmer Rouge 12/1 kidnaps 6 UN peacekeepers; releases them 12/4.

NOV. 30–DEC. 4. China's Prime Minister Li Peng travels to Vietnam, the first visit by a Chinese leader in more than 2 decades.

DEC. 12. Earthquake and tidal waves in eastern Indonesia kill more than 2,500, wiping out entire towns and villages.

DEC. 14. US government lifts 17-year embargo against American companies

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doing business in Vietnam.

DEC. 17. Khmer Rouge seizes 46 UN peacekeeping soldiers in central Cambodia; releases 10 UN soldiers later that day.

DEC. 26. Philippine government signs ceasefire accord with 3 right-wing coup conspirators and agrees to begin peace talks; releases 65 alleged insurgents from prison.

SOUTH ASIA

JAN. 20.–FEB.6. Crackdown on Muslims by the Myanmar military junta results in influx of 40,000 to 60,000 Muslim refugees into neighboring Bangladesh.

FEB. 7. Pakistani Foreign Minister Shahryar Khan reveals that his nation is now capable of building an atomic bomb, but has refrained from constructing one in the interest of adhering to nuclear proliferation agreements; pledges not to explode a nuclear device or export technology to other developing nations and says his country is willing to get rid of nuclear raw materials if India agrees to reciprocate.

FEB. 8. Three of 7 guerrilla factions embroiled in Afghanistan's 13-year-old civil war accept UN-proposed initiative to form interim government and end hostilities. Rebel move comes after Pakistan announces 1/27 support for the UN initiative, effectively cutting off the rebels' only remaining source of military support.

FEB. 19. India's Congress (I) Party wins elections in troubled state of Punjab, receiving 60 of 117 state assembly seats at stake, but voter turnout of 28% is low due to threats of violence from Sikh separatist groups.

MAR. 9. Indian Prime Minister Narasimha Rao wins important parliamentary vote when proposed amendments to his economic program are defeated. Rao's Congress Party defeats vote of no confidence backed by opposition Hindu fundamentalist Bharatiya Janata Party (BJP).

APR. 16. Afghan President Najibullah abruptly resigns and goes into hiding at UN compound in Kabul; Vice President Abdul Rahim Hatif 4/19 named interim president of Afghanistan. Hatif 4/21 says he is willing to cede control of war-torn nation to a coalition of Muslim rebels. Afghan guerrilla leaders in Peshawar, Pakistan, agree to form 50-member interim commission to govern Afghanistan and prepare for democratic elections 4/25.

APR. 28. Officials in Afghanistan's collapsed government relinquish power to commission of Mujaheddin rebels headed by moderate Islamic leader Imam Sibghatullah Mojadedi, ending 14-year rule by Soviet-backed communist government. Sporadic fighting continues in Kabul and surrounding region as supporters of Ahmed Shah Masoud clash with Islamic fundamentalist forces led by Gulbuddin Hekmatyar. Pakistan, Iran, Turkey, Saudi Arabia and other nations formally recognize new coalition government. US welcomes government move and urges speedy resolution of remaining conflict.

MAY 5. Afghanistan's Interim President Mojadedi names 36-member temporary cabinet to assume power; Masoud named defense chief; Islamic fundamentalist leader Abdul Rasul Sayaf named interior minister. Interim council 5/6 formally dissolves Afghan People's Democratic (communist) Party. Hekmatyar's forces 5/4–6 fire scores of rockets and artillery shells at Kabul from positions in surrounding hills, killing 73 people and wounding 400 others. Afghanistan's newly installed government 5/25 reaches peace accord with Hekmatyar; agreement calls for national elections to be held within 6 months, and 2 rival leaders issue joint statement that Mojadedi's interim presidency "will not be extended."

MAY 13–14. Russian Foreign Minister Andrei Kozyrev visits new Afghan government; congratulates Muslim leaders for defeating "communist totalitarianism" and says Russia will extend food and medical aid to Afghanistan.

JUNE 28. President Mojadedi relinquishes Afghanistan's presidency to guerrilla

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leader Burhanuddin Rabbani. Pro- and anti-government militias and guerrillas continue to clash sporadically.

JULY 13. Shankar Dayal Sharma with support of ruling Congress Party wins India's presidential elections with 64.8% of vote; G. G. Swell, a candidate of the BJP and Janata Dal movement, receives 33.2%.

AUG. 16–29. In Afghanistan, hundreds of foreign diplomats and their families flee Kabul amid escalating artillery and rocket attacks by Muslim rebels. Exodus comes as tensions rise between Afghan government and fundamentalist Muslim Hezb-i-Islami faction led by Hekmatyar. UN 8/23 announces $10 million aid program to provide food and medical supplies for Afghan civilians displaced by Kabul fighting.

SEPT. 7. Ruling Bangladesh Nationalist Party dissolves student association's central committee, the Jaitiyotabadi Chattra Dal, and suspends group's activities at Dhaka University following 9/3 clash between rival wings of student organization that left 2 students dead. Opposition Awami League takes similar action.

SEPT. 8–18. Floods kill more than 2,000 people in Pakistan, damaging some 2 million acres of crops and devastating villages; additional 500 people killed by torrential rains in India.

NOV. 16. Sri Lanka's naval chief is assassinated; Tamil separatists claim responsibility.

NOV. 18. Pakistani government arrests former Prime Minister Benazir Bhutto and top leaders of her Pakistan People's Party after they defy ban on rallies and call on supporters to oust the government. Bhutto released but forbidden to travel or encourage antigovernment protests; 11/21 says she will call off protests only if government agrees to new elections.

DEC. 6. Hindu fundamentalists raze 430-year-old mosque in northern India. Rioting erupts throughout India 12/7–11, leaving over 1,100 Hindus and Muslims dead. Violence spreads to Pakistan. Government 12/8 authorizes security forces to shoot rioters in Bombay and Bhopal; bans 5 Hindu nationalist groups and jails top Hindu leaders 12/10; arrests more than 700 people 12/13. Congress 12/16 reconvened. Hindu nationalists walk out to protest Prime Minister Rao's dismissal 12/15 of 3 pro-Hindu state governments. Roa 12/21 wins confidence vote by 334–106 over handling of violence between Hindu and Muslims. Police 12/25 arrest more than 3,000 Hindu nationalists who threaten to march to site of the destroyed mosque. Government 12/25 says it will buy the site of the destroyed mosque and build a new mosque and Hindu temple there.

—Rockets and artillery shells explode across Kabul, Afghanistan, in new round of combat between Iranian-backed Shiite Muslim guerrillas and troops loyal to interim Islamic coalition government. UN officials 12/25 tell Afghanistan's feuding leaders to settle their differences or risk losing international aid.

WESTERN HEMISPHERE

NORTH AND CENTRAL AMERICA AND THE CARIBBEAN

JAN. 1. Government of El Salvador and representatives of Farabundo Martí National Liberation Front (FMLN) rebels sign preliminary peace treaty to end nation's 12-year civil war; sign formal treaty 1/16.

JAN. 8. Deposed Haitian President Jean-Bertrand Aristide accepts nomination of René Theodore, leader of Unified Haitian Communist Party, as premier, in compromise move that leaves open possibility of Aristide's return to power.

JAN. 23. El Salvador's Legislative Assembly passes amnesty law protecting civil war participants from prosecution for human rights violations committed during the war; excludes those involved in some of the war's worst human rights abuses.

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JAN. 24. Salvadoran Judge Ricardo Zamora sentences 2 Salvadoran army officers to 30 years in jail for 1989 slaying of 6 Jesuit priests, their housekeeper and her daughter.

FEB. 1. US begins forcibly repatriating thousands of Haitians picked up at sea while trying to flee their homeland. Move comes after US Supreme Court lifts December 1991 injunction barring repatriation of Haitians.

FEB. 4. Bush administration modifies trade embargo against Haiti in effort to increase pressure on de facto government.

FEB. 23. Exiled Haitian President Aristide signs agreement with leaders of Haiti's parliament that outlines general terms for his return to Haiti as president.

—Representatives of Guatemala's government and leftist rebel groups report limited progress in 8th round of peace talks held in Mexico City in effort to end Guatemala's 30-year-old civil war. Negotiations 2/28 stall on issue of human rights.

FEB. 24. Supreme Court denies appeal by Haitian refugees to end US government's policy of forced repatriation of refugees whose claims for political asylum have been denied.

FEB. 27. President Bush and officials from 6 Latin American countries sign accord calling for increased cooperation in the fight against drug trafficking. US does not commit additional funds.

MAR. 3. UN Human Rights Commission votes, 23–8, to condemn Cuba for human rights violations. Cuba refuses to answer inquiries from UN human rights monitor Rafael Rivas Posada or to allow him to visit the country.

MAR. 15. Jamaican Prime Minister Michael N. Manley resigns, citing poor health. His ruling party, the People's National Party, elects Percival J. Patterson as new leader.

MAR. 17. Two former FMLN rebels accused of murdering 2 US servicemen in January 1991 surrender to Salvadoran judge.

APR. 22. More than 190 people killed and 1,400 injured in Guadalajara, Mexico, when series of violent explosions in sewer system destroy 20-block area of city's eastern region. Explosion blamed on gasoline leaking into sewers from underground pipes owned by state oil monopoly, Pemex. Guillermo Coiso Vidaurri, governor of the Mexican state of Jalisco, resigns amid accusations that he did not take steps to follow up on rumors about gas leakage; 9 officials indicted on criminal charges 4/30.

MAY 4. Voters in Canada's Northwest Territories approve creation of self-governing homeland for 17,500 Inuits living in eastern two-thirds of territories. Inuits 11/3–5 accept package.

MAY 24. President Bush signs executive order directing US Coast Guard to halt all boats carrying Haitian refugees to US and return them to Haiti.

JUNE 2. Haiti's military-backed government nominates conservative politician Marc Bazin as the country's new premier; Bazin 6/19 installed. Acting President Joseph Nerette and acting Premier Jean-Jacques Honorat 6/19 step down. Bazin 6/30 sworn in.

JUNE 10. US soldier is killed and another wounded when gunmen open fire on their military vehicle in Panama City. Incident comes on the eve of controversial visit to Panama by President Bush.

JULY 12. Mexico's ruling Institutional Revolutionary Party (PRI) suffers second gubernatorial defeat in 63 years, losing in Chihuahua state to Francisco Barrio Terrazas, candidate of conservative National Action Party (PAN); Barrio takes 52.3% of vote, to PRI's 45.8%. PRI 8/2 registers gubernatorial victories in states of Durango, Aguascalientes, Zacatecas, Oaxaca and Veracruz.

JULY 24. Mexican government refuses aid from US for its campaign to combat narcotics trafficking, charging excessive US interference in Mexican efforts.

AUG. 1. Supreme Court rules that US Coast Guard can continue to intercept

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Haitian refugees at sea and forcibly return them to Haiti, but says it will hear further arguments before deciding whether repatriation policy violates US refugee law.

AUG. 19. Twenty-five year rule of Prime Minister Lynden Pindling of the Bahamas ends when his Progressive Liberal Party suffers upset defeat in parliamentary elections; Hubert Ingraham leads center-right Free National Movement to landslide victory, winning 31 seats in 49-member House of Assembly; PLP wins 18 seats. Ingraham 8/21 sworn in as prime minister.

SEPT. 1. Nicaraguan President Violeta Barrios de Chamorro dismisses 12 high-level police officers in effort to free $104 million in US aid frozen by Congress since June over concerns about continuing Sandinista influence in Chamorro's government.

SEPT. 11. World Court resolves century-old dispute between Honduras and El Salvador, awarding almost two-thirds of 170 square miles of disputed territory to Honduras.

SEPT. 16. Russian and Cuban officials reach agreement on staged withdrawal from Cuba of mechanized-infantry brigade stationed there by former Soviet Union. Brigade's 1,500 troops set to leave Cuba by mid-1993.

SEPT. 21. Mexico and the Vatican establish full diplomatic relations, ending over 130 years of church-state discord.

SEPT. 25. Carlos Aldana Escalante is removed from his posts in Cuban Communist Party, including those of ideologist and party secretary in charge of international relations.

SEPT. 26. Canadian voters, by margin of 54.4% to 44.6%, defeat constitutional reform package that seeks to reconcile conflicting interests of the country's provinces, territories and aboriginal people.

OCT. 5. In Guyana's general elections Cheddi B. Jagan defeats incumbent President Hugh Desmond Hoyte to win presidency. Jagan's People's Progressive Party receives 54% of popular vote compared with 41% for Hoyte's People's National Congress. PPP wins 32 seats in nation's 65-member unicameral legislature, and PNC secures 31; remaining votes scattered among 9 smaller parties.

OCT. 12. Pope John Paul II, speaking in the Dominican Republic, on 500th anniversary of Christopher Columbus' arrival in the New World, lauds spread of Catholicism to Americas that resulted from the Spanish explorer's voyage, but admits abuses have occurred.

NOV. 3. Cuba and Russia sign trade and shipping accords and agree to maintain electronic intelligence-gathering station in Cuba.

NOV. 9. Mexico's ruling PRI party claims landslide election victory in key state of Tamaulipas, prompting opposition calls for mass protests against alleged fraud.

NOV. 15. Panamanian voters turn down package of 58 constitutional reforms, including proposal that would have prohibited Panama from keeping standing army.

NOV. 24. UN General Assembly rebukes US by adopting resolution that calls for Washington to repeal its 30-year embargo against Cuba.

DEC. 1. El Salvador's rebel group, the FMLN, accepts government's plan to purge dozens of human rights abusers from armed forces and promises weapons will be destroyed.

DEC. 8. El Salvador's army dissolves Atlacatl Battalion, blamed by human rights groups for the 1989 murder of 6 Jesuit priests and 1981 massacre of over 1,000 civilians in El Mozote.

DEC. 15. El Salvador proclaims end of civil war at ceremony attended by government and rebel leaders and world heads of state.

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South America

Feb. 3. Argentine President Carlos Saúl Menem orders release of previously secret government and police files on Nazi war criminals who fled to Argentina at the end of WW II.

Feb. 4. In Venezuela heavy fighting breaks out when rebel military units storm presidential buildings and mount insurrection in Caracas and 3 other cities. Venezuelan President Carlos Andrés Pérez announces that loyal soldiers have defeated attempted coup; declares martial law and suspends constitutional guarantees for 10 days to allow government to regain full control. Other Latin American nations, the US and European Community immediately condemn insurrection.

Feb. 28. Appeals court in Brazilian state of Acre rules, 2–1, that there was insufficient evidence to convict man found guilty of planning the 1988 murder of Brazilian environmentalist and rural labor leader Francisco (Chico) Mendes Filho.

Mar. 5. Venezuelan President Pérez announces political and economic reforms to restore public confidence in government and to ease unpopular economic belt-tightening programs; asks National Congress to create constituent assembly by 6/1 that would draft new constitution; promises to replace 5 of 9 members of Venezuela's Supreme Court and make entire judicial system "radically independent" of political parties. New members of cabinet sworn in 3/10. Police in Caracas, the capital, use tear gas and water hoses to break up antigovernment demonstration.

Mar. 30. Brazil's 12-member cabinet resigns in wake of growing charges of government corruption and influence peddling. President Fernando Collor de Mello 4/10 appoints new cabinet; half of appointees belong to the Nationalist Republican Alliance (ARENA), a conservative party with close ties to the military regime.

Apr. 5. Peruvian President Alberto K. Fujimori dissolves the National Congress, suspending parts of constitution and instituting press censorship; orders arrest of several political rivals in response to increased terrorist attacks by Peru's guerrilla movement, the Shining Path. Military command offers support for Fujimori's actions and moves troops around Lima to seal off the parliament and other official buildings. US 4/6 calls Fujimori's actions a "regrettable step backwards" for democracy and suspends all but humanitarian aid. Defiant members of Peru's suspended Congress 4/9 vote to impeach Fujimori and replace him with Vice President Carlos Garcia García in symbolic move. Organization of American States passes resolution criticizing Fujimori. Alan Garcia Pérez, Peru's former president, in hiding since Fujimori suspended constitutional government, is granted political asylum in Colombia 6/1.

Apr. 24. US military transport aircraft on routine antinarcotics surveillance exercise is fired on by Peruvian air force plane, wounding 2 crew members and killing another.

Apr. 27. Colombian police arrest Ivan Urdinola, believed to be one of South America's leading drug traffickers.

May 3. Colombian army says 9 guerrillas and 5 soldiers were killed in counterinsurgency operation against Colombian Armed Revolutionary Forces (FARC). Clash occurs during recess in peace talks in Mexico between government and 3 rebel groups, including FARC.

May 9. In Peru, police end 4-day prison standoff with jailed members of Shining Path guerrilla group. 28 rebels killed and more than 50 others injured as police battle to regain control of prison.

May 13. Ecuadoran President Rodrigo Borja Cervallos grants 148 Indian communities legal title to more than 3 million acres of land in Amazon River basin.

July 5. Sixto Duran Ballén wins runoff election for Ecuador's presidency, replacing left-wing President Rodrigo Borja Cevallos, who was prohibited by constitution from running for another term. Duran takes 56% of vote; his opponent,

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businessman Jaime Nebot, takes 43%.

JULY 10. President César Gaviria Trijillo of Colombia declares state of emergency in effort to keep drug baron Pablo Escobar in prison. Escobar is seeking release under suspension law, but under state of emergency Gaviria assumes complete control of judiciary. Escobar 7/22 breaks out of prison in battle with army soldiers that leaves 6 people dead. Gaviria orders resignation of several leading politicians and military officers as evidence emerges implicating Colombian security forces in assisting Escobar's escape.

AUG. 24. Brazilian congressional commission finds President Collor used his position as chief executive to receive "improper economic benefits"; concludes grounds exist to initiate impeachment proceedings against Collor. Hundreds of thousands of Brazilians 8/25 join pro-impeachment demonstrations in 25 cities.

AUG. 29. Chamber of Deputies votes, 441–38, to impeach Brazilian President Collor; Vice President Itamar Augusto Cautiero Franco 10/2 becomes acting president as Collor, stripped of his powers, begins preparations for Senate trial within next 180 days. Franco immediately announces 90-day emergency plan to stimulate Brazil's stagnant economy; pledges to continue privatization and trade liberalization. Collar 12/29 resigns; Franco sworn in as president.

SEPT. 12. Peruvian police capture elusive leader of Shining Path, Manuel Abimael Guzman Reinoso. President Fujimori 9/14 says rebel leader will be tried in military court. Guzman 10/7 is convicted of high treason and sentenced to life imprisonment, the maximum possible sentence under Peruvian law. 10 other alleged guerrilla leaders captured along with Guzman also sentenced to life prison terms by 3 military courts.

NOV. 7. FARC guerrillas of leftist Revolutionary Armed Forces of Colombia kill 26 policemen guarding an oil field. President Gaviria 11/8 declares 90-day state of emergency to combat Marxist guerrillas. Colombia's top military leaders 11/10 are replaced after unexpected resignations.

NOV. 13. Peruvian President Fujimori crushes coup attempt by small group of army officers.

NOV. 22. Peruvian candidates aligned with President Fujimori win legislative elections. Major political parties refuse to participate in "illegal elections." US says elections are free of fraud and represent significant step in country's return to democracy.

NOV. 27–28. Dissident elements of Venezuela's military fail in coup attempt to overthrow government of President Pérez. 170 people killed. Government arrests more than 1,200 soldiers. Pérez 11/29 denounces rebels; pledges not to step down.

DEC. 3. Car bomb explodes outside soccer stadium in Medellín, Colombia, killing 14 people, including 10 police officers. Defense minister says attack was carried out by drug traffickers in retaliation for previous police killing of top member of Medellín cartel.

DEC. 7. Venezuelan voters repudiate ruling Democratic Action Party. Leading opposition Social Christian Party wins 11 governor seats; Democratic Action Party, which still continues to narrowly control congress, wins 6.

DEC. 10. Ecuador's army chief, General Carlos Andrade, is killed along with 6 military officials when their small plane crashes into building in Quito.

DEC. 16. Brazil's finance minister, Gustavo Krause, resigns amid rumors that he was frustrated by acting President Franco's interventionist style and lack of clear direction in economic policy.

DEC. 31. Brazilian President Franco unveils economic program that will probably slow country's move toward open, deregulated markets and an economy based on low inflation rate.

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AFRICA

JAN. 11. Algerian President Chadli Bendjedid resigns 2 weeks after first round of parliamentary elections yields unexpected victory for fundamentalist Islamic Salvation Front (FIS). The new army-dominated ruling council cancels runoff ballot, scheduled for 1/12, which had been expected to give the FIS a parliamentary majority. FIS leaders 1/13 call on Algerians to defy "the illegitimate junta" that took control after Bendjedid's departure. Algerian police 1/22 arrest Abdelkader Hachani, acting head of FIS, for inciting army to mutiny; government bans all nonreligious activities. Nearly 500 demonstrators defy government ban on assembly by gathering outside mosque in Algiers. Police 1/29 fire on crowd in Bachara, when residents reportedly try to prevent them from arresting 2 members of Muslim clergy. 2 people killed. Ruling Council of State 1/29 creates consultative council to function as small parliament in void created by cancellation of elections; imposes yearlong state of emergency 2/9. Mohamed Boudiaf, president of ruling military court, announces plan to bring about economic recovery and ease unemployment 2/16. Ruling military council 2/22 reshuffles cabinet. Algerian court 3/4 bans the FIS.

JAN. 17. National conference on planning democracy for Zaïre reopens in Kinshasa, the capital, after being closed since 1991, but Prime Minister Jean Nguza Karl-I-Bond suspends it again 1/19.

JAN. 18. Kenya's former health minister, Mwai Kibaki, launches opposition group, the Democratic Party. More than 100,000 people gather in Nairobi to attend Kenya's first legal antigovernment rally in 22 years.

JAN. 21. UN Security Council unanimously urges Libya to cooperate with US, French and British investigations into 1988 bombing of Pan Am flight 103 over Lockerbie, Scotland, and 1989 bombing of French UTA flight 722 over Nigeria. UN Security Council 3/31 imposes limited sanctions against Libya unless that government extradites suspected terrorists. Sanctions take effect 4/15 calling for all UN members to reduce Libyan diplomatic staff and cut off air links and arms sales.

JAN. 24. President F. W. de Klerk addresses opening session of South Africa's parliament but offers no new concessions to South Africa's black majority; says all South Africans, including blacks, will participate in any referendum on political change, but whites will have veto power over such changes. African National Congress (ANC) President Nelson Mandela rejects de Klerk's concept of white veto.

FEB. 14. Representatives of 2 warring factions in Mogadishu, Somalia, agree to immediate ceasefire. Warring factions 4/3 pledge to observe UN-brokered ceasefire, but truce fails to restrain independent armies and bandits. UN Security Council 4/24 votes to send 50 military observers to monitor ceasefire. International Red Cross 4/30 begins importing emergency food into Mogadishu, after ceasefire makes transportation of goods less dangerous.

FEB. 18. Special congress of Tanzania's governing Revolutionary Party approves proposal to end one-party rule.

FEB. 20. South African President de Klerk announces whites-only referendum on his political reforms, aimed at transferring power to the black majority. South African whites 3/17, voting in record numbers, overwhelmingly endorse de Klerk's reform policies by 68.6% of vote.

MAR. 19. Zimbabwe's parliament unanimously passes land-reform bill empowering government to expropriate acreage from commercial farms and redistribute it to black peasants.

APR. 8–9. Leaders of Sudan, Kenya, Djibouti, Ethiopia and separatist Ethiopian province of Eritrea meet in Addis Ababa, Ethiopia, to discuss emergency relief for

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impoverished Horn of Africa region; sign agreement to respect "the basic right" of their citizens to humanitarian assistance and to assure safe passage of relief organizations.

APR. 9–10. President de Klerk becomes first white South African leader to visit Nigeria.

APR. 21. Five white South African lawmakers belonging to liberal Democratic Party switch allegiance to ANC, giving antiapartheid movement its first voice in parliament.

APR. 28. Voters in Ghana overwhelmingly approve new constitution that will lead to multiparty democracy.

Apr. 29. Mutinous soldiers led by Captain Valentine Strasser overthrow Sierra Leone President Joseph Saidu Momoh, after soldiers abandon battlefront in the south where they have been fending off Liberian guerrillas led by Charles Taylor. Momoh flees to neighboring Guinea. Strasser appoints himself military ruler.

MAY 1. Reports indicate that tribal clashes in Kenya's rural western provinces have killed over 2,000 people and left 50,000 homeless.

MAY 6–8. Malawi experiences its first violent antigovernment protest since President for Life Hastings Kamuzu Banda took control in 1964, as workers in Blantyre take to the street demanding higher pay. Protesters clashing with security forces leave 38 dead. World Bank and Western donor nations, meeting in Paris, freeze aid to Malawi 5/13 to protest government repression.

MAY 28–31. ANC holds conference in Johannesburg to decide how to break deadlock with government and to spell out its policies for postapartheid South Africa. Delegates 5/31 accuse President de Klerk's government of trying to lock ANC "into a permanent 'power-sharing' arrangement in which the system of white minority domination will be largely intact." ANC approves "mass action" campaign of unprecedented scale.

JUNE 17. Marauders sweep through South African township of Boipatong, killing more than 40 blacks, mostly women. Survivors say attack was carried out by 200 Zulu men. President de Klerk 6/20 attempts to visit scene of massacre but is chased off by angry demonstrators; police fire into crowd, slaying 3 people. ANC President Mandela 6/21 suspends bilateral negotiations with government until it curbs township violence. ANC 6/23 withdraws from constitutional negotiations at the Convention for a Democratic South Africa (Codesa).

JUNE 29. Algerian President Boudiaf is killed by machine-gun fire while giving a speech in eastern coastal city of Annaba. No group claims responsibility, but suspicion centers on Islamic Salvation Front. Military-backed High State Council 7/2 names Ali Kafi, respected veteran of Algeria's 1954–62 war of independence, as president. Premier Sid Ahmed Ghozali 7/8 resigns; replaced by Belaid Abdesalam. Algerian government identifies Lieutenant Lembarak Boumaraf as main suspect in Boudiaf's murder.

JULY 4. Nigeria's left-of-center Social Democratic Party wins 47 seats in 91-member Senate and 310 seats in 589-member House of Representatives in the country's first legislative elections in 12 years; right-of-center National Republican Convention wins 37 seats in Senate and 267 in House.

JULY 16. UN Security Council sends emissary to South Africa to investigate violence in black townships; condemns South Africa's ongoing bloodshed and calls on government "to protect the life and property of all South Africans."

JULY 27. UN Security Council unanimously passes resolution authorizing 500 armed peacekeepers to safeguard humanitarian workers in Somalia. President Bush authorizes US military to transport peacekeeping troops.

AUG. 3–4. Millions of South African blacks stay home from work to pressure government into accepting black majority rule. Strike brings industries to a standstill and empties streets in Johannesburg, Durban, Port Elizabeth and Cape Town.

AUG. 7. The ruling Mozambique Liberation Front, and rightist Mozambique

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National Resistance agree to truce ending 16 years of civil war. Opposing factions 10/4 sign peace accord in Rome.

AUG. 14. President Bush orders emergency airlift of food to Somalia, where estimated one-fourth of Somalia's 6 million people are starving.

AUG. 17. US Air Force begins helping to dismantle armies of Angolan government and its former guerrilla rival, the Union for the Total Independence of Angola (UNITA).

AUG. 27. South African Law and Order Minister Hernus Kriel announces "sweeping initiatives," including early retirement of one-quarter of top command, in move that clears way for appointment of country's first nonwhite police generals.

AUG. 28. US military aircraft begin delivering emergency food to Somalia. UN Security Council 8/28 votes to send 3,000 peacekeeping troops to guard relief shipments. First armed UN peacekeeping troops 9/14 arrive; take control of airport in Mogadishu 11/10.

SEPT. 3. Moroccan voters overwhelmingly approve new constitution devised by King Hassan II to invest parliament with greater authority and attract young people to political office.

SEPT. 10. ANC accepts South African President de Klerk's offer for emergency meeting with ANC President Mandela to discuss ways to curb country's political strife, in wake of 9/7 massacre in which soldiers in nominally independent "homeland" of Ciskei fired on crowd of ANC protesters, slaying 28 people. Foreign Minister Roelof (Pik) Botha asks UN Secretary General Boutros Boutros-Ghali to dispatch an envoy to South Africa to help end violence and mediate constitutional negotiations.

SEPT. 17. Two sides in the Sudanese civil war—the Muslim-dominated government in the north and the Christian and animist separatists in the south—agree to permit relief flights to land in famine-threatened regions.

SEPT. 18. US temporarily suspends relief flights to Somalia after US military aircraft delivering emergency supplies is fired upon.

SEPT. 26. South African President de Klerk and ANC President Mandela meet, ending 4-month stalemate over confronting political violence and structure of postapartheid government; resume negotiations on nonracial constitution and agree to hasten creation of interim government. In protest against what he calls the "illegitimate" deals struck between de Klerk and Mandela, Inkatha President Mangosuthu Buthelezi breaks off relations with the government, withdraws from Codesa and threatens to oppose creation of interim government.

SEPT. 29–30. Angolans vote for president in country's first free elections. José Eduardo dos Santos, leader of the ruling Popular Movement for the Liberation of Angola, defeats Jonas Savimbi, leader of UNITA. Savimbi 10/2–3 charges that votes had been rigged; hints that he might continue civil war. Dos Santos 10/17 declared victor, but fails to win required majority votes. In runoff election dos Santos wins 49.6% of vote; UNITA leader Savimbi takes 40.1%; remaining ballots divided among 9 minor candidates.

OCT. 6. Nigeria's military government suspends political activity amid charges that presidential primaries held in September were fraudulent. President Ibrahim Babangida 10/16 voids results of primaries and dissolves leadership of country's 2 political parties.

OCT. 12. South Africa's parliament opens special session to discuss legislation that will pave way for interim government. President de Klerk pledges not to surrender power to nation's black majority until interests of white minority are adequately protected. Legislators 10/21 approve constitutional amendment that clears way for blacks to serve in cabinet of an interim government; fail to pass de Klerk's bill to grant amnesty to state officials who had committed crimes in defense of apartheid.

OCT. 21. Rebels led by Charles Taylor, whose army controls most of Liberia,

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mount powerful assault on Monrovia. Taylor's group, the National Patriotic Front of Liberia (NPFL), blocked by 7,000-man peacekeeping force made up of soldiers from 5-nation Economic Community of West African States. US embassy in Monrovia 10/22 evacuates 90 Americans, including many diplomatic employees.

Oct. 30. Heavy fighting breaks out in Luanda between Angolan forces and UNITA; 1,000 people killed. UN 11/1 arranges ceasefire.

Oct. 31. Five American nuns are shot to death in Liberia; widely believed to be victims of Taylor's rebel faction, the NPFL. Taylor 11/7 frees 15 US and British missionaries but vows to fight on for the capital. Bush administration 11/5 recalls its ambassador from Burkina Faso, accused of supplying weapons to Taylor.

Nov. 4. Military leader Jerry Rawlings is elected to head new civilian government in Ghana's first presidential elections since 1979, by 58.5% of vote.

Nov. 17. Nigeria's President Babangida delays presidential elections until June 1993; postpones regime's transfer of power to civilian government to August 1993.

Nov. 19. UN Security Council authorizes arms embargo aimed at ending rebel insurgency in Liberia; calls for immediate ceasefire and talks leading to disarmament and free elections.

—ANC report offers white minority in South Africa the prospect of indefinite share of power in new order.

Nov. 26. Angolan and UNITA officials meet and agree to honor 1991 peace agreement and ceasefire; ask UN peace monitors to remain past 11/30 deadline and to expand their role. UNITA 12/7 agrees to join coalition government.

Nov. 29. Black radical group, the Azanian People's Liberation Army, attacks country club in South Africa, killing 4 whites and wounding 17 people; declares war on white South Africans and threatens to kill government leaders 12/7.

—Algerian government declares stepped-up offensive against Islamic fundamentalists and orders dissolution of cultural groups and companies that support the outlawed FIS.

Dec. 3. UN Security Council authorizes US-led military forces to "use all necessary means" to help deliver food and humanitarian assistance to Somalia. In televised address President Bush 12/4 orders troops into Somalia on mission to "save thousands of innocents" as part of Operation Restore Hope; President-elect Bill Clinton and congressional leaders support Bush's policy. Pentagon says it will send 28,000 troops; Britain, Belgium, France, Canada, Pakistan and Jordan say they will contribute troops or supplies; Germany and Japan to contribute money and equipment. US Marine amphibious forces 12/4 consisting of 3 ships carrying 1,800 troops arrive off the coast of Somalia. Marines 12/9 land in Mogadishu to secure airport, encountering no resistance. Somalia's two faction leaders, General Mohammed Farah Aydid and Ali Mahdi Mohammed, meet 12/11 for talks brokered by President Bush's special envoy, Robert B. Oakley, and Lieutenant General Robert B. Johnston, head of US-led military operations; agree to restrict their fighters and armed vehicles to designated compounds. 700 more Marines arrive 12/11. 2 US helicopter gun ships 12/12 destroy 3 armed Somali vehicles after Marine aircraft was fired on. UN Secretary General Boutros-Ghali releases letter sent to Bush outlining US role; asks US to disarm Somali rebel forces. US and French soldiers 12/16 take charge in Somali town of Baidoa and secure airport. German Chancellor Helmut Kohl 12/16 orders 1,500 armed troops to assist U.N. relief operation begining 1993. Japan 12/18 pledges $100 million. US and Belgian troops 12/20 seize port of Kismayu, taking control of gunmen who had looted relief shipments. US civilian 12/23 killed and 3 others injured when their vehicle hits mine near Bardera. US troops 12/30 move into Mogadishu's northern sector and announce crackdown on clan violence. President Bush 12/30 sets off for visit to Saudi Arabia, Africa and Russia; lands in Mogadishu and visits US troops to celebrate New Year.

Dec. 16. UN establishes peacekeeping operation in Mozambique, authorizing

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some 7,500 troops and civilians to monitor ceasefire and national elections.

DEC. 25. Voters in Nigeria overwhelmingly approve new constitution, clearing way for multiparty presidential and legislative elections next year.

DEC. 29. Voters in Kenya narrowly reelect Daniel arap Moi as president in that country's first election in nearly quarter-century. Opponents Kenneth Matiba and Oginga Odinga, who come in second and third respectively in presidential elections, do not accept election results; say they will not take their seats in the legislature and call for new elections. Moi's ruling Kenya African National Union wins 85 seats in the 188-seat parliament, while parties backing Matiba and Odinga each receive 25; other seats scattered among smaller parties. Fifteen of Moi's 21-member cabinet are defeated for reelection.

OTHER GLOBAL DEVELOPMENTS

FEB. 3–4. Fifty-three members of Nonaligned Movement meet in Cyprus to discuss organization's relevance in post-Cold War era. Conference dominated by debate over whether members should forge closer ties with West.

FEB. 25. US and Mexico release "Integrated Border Plan" outlining measures to address pollution problems along the US-Mexican border, in response to opposition from environmentalists to proposed North American Free Trade Agreement.

MAR. 2–13. The 112-member nations of the Convention on International Trade in Endangered Species meet in Kyoto, Japan. Members reject proposal from 5 African nations to relax international ban on trade in ivory and other elephant products.

MAR. 20. US Census Bureau reports world's population was 5.423 billion in 1991, twice that of 1950; projects global population will grow 52% by 2020.

MAR. 25. Twenty-five nations in North America, Europe and former Soviet Union, meeting at Conference on Security and Cooperation in Europe, sign "open skies" treaty to allow reconnaissance flights over their territory by foreign planes.

APR. 3. Nuclear Suppliers Group pledges tighter controls on international transfer of so-called dual-use nuclear technology.

APR. 4. Five-week session of the UN Conference on Environment and Development in New York ends. Delegates draft declaration of principles for international cooperation on environment; talks intended to set agenda for Earth summit scheduled in Rio de Janeiro, Brazil, in June. Delegates agree in principle to adopt policies that will "equitably meet developmental and environmental needs" of Third World nations.

MAY 9. Representatives of 143 countries in New York approve draft treaty to reduce emission of greenhouse gases believed to cause global warming. President Bush 5/12 calls treaty a "historic step" and says he will attend Earth summit.

MAY 22. Representatives of 98 countries, meeting in Nairobi, Kenya, approve draft treaty to preserve the world's plant, animal and microbial species. Treaty to be signed by world leaders at the Earth summit. Representatives from the US, Britain and Japan express reservations about final draft.

MAY 28–29. Representatives of world's 5 leading arms-supplying nations—US, Russia, China, Britain and France—agree to halt global spread of technology and equipment used to produce nuclear, chemical and biological weapons.

JUNE 3–14. UN Conference on Environment and Development opens in Rio de Janeiro. Delegates from 178 countries reach accord on several landmark pacts intended to reconcile global economic development with environmental protection; commit in principle to pursuing means of economic development that will protect earth's nonrenewable resources. Countries of industrialized North agree in principle to boost financial aid to nations of the developing South to offset the costs of environmentally sound economic growth. International criticism of US heightened

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when Bush administration refuses to back biodiversity treaty aimed at protecting endangered plant and animal species. Summit delegates 6/14 sign treaty to reduce emissions of carbon dioxide and other greenhouse gases; adopt by consensus statement on forest conservation principles; approve by consensus so-called Rio Declaration, a 6-page statement of principles calling upon world nations to "equitably meet developmental and environmental needs," and Agenda 21, a voluminous blueprint outlining means to do so.

JUNE 29. Norway and Iceland allow their fishing industries to resume commercial whale hunting, in defiance of worldwide whaling moratorium in effect since 1985.

JULY 16. US and Russian space agencies announce plans for joint manned flights that includes having Russians aboard US space shuttle in 1993 and linking a US shuttle and *Mir* in 1994.

AUG. 3. US Senate imposes immediate moratorium and eventual ban on nuclear testing by vote of 68–26. Russian President Boris Yeltsin 10/14 extends his country's ban on nuclear weapons testing through July 1993.

AUG. 7. Members of UN Conference on Disarmament, after 24 years of negotiation, reach agreement on final draft text of international treaty to outlaw production of chemical weapons and destroy existing stocks.

AUG. 14. China launches Australian telecommunications satellite, *Optus B1*, into orbit; sends into orbit Swedish satellite, *Freja*, that contains a sensor to provide warnings about impending disturbances in earth's magnetosphere.

SEPT. 4. US and Netherlands agree to eliminate most restrictions on airline flights between cities in the 2 countries; "open-skies" pact, the most liberal air treaty ever negotiated, considered first step toward removing all barriers to international travel.

SEPT. 29. NASA reports that so-called ozone hole, the area above the southern polar regions where severe depletion of the earth's protective ozone layer has been observed in recent years, has grown to its largest size on record.

OCT. 20. Poland announces it will equip its border guards with radiation detectors to curb smuggling of nuclear materials from the former Soviet states.

Nov. 2. President Bush signs measure to impose trade penalties on any nation that allows its vessels to fish with drift nets in North Pacific Ocean and in North Atlantic; enforces UN resolution banning the 30-mile-long nets.

Nov. 24. Western nations relax curbs on exports of military matériel to former communist nations; redefine mission of Coordinating Committee for Multilateral Export Controls to focus restrictions of potentially dangerous technologies on such nations as Iraq, North Korea, China, India and Pakistan.

Nov. 26. Industrialized nations agree in Copenhagen to speed efforts to phase out the production and use of ozone-depleting chemicals, chiefly chlorofluorocarbons.

ERRATUM

Winter 1992/93

1. Due to a printer's error in the preparation of the Winter 1992/93 issue of *Foreign Affairs*, the volume number was misstated in two places: in the copyright notice on page v of the Table of Contents and in the annual Index at the conclusion of the issue. The Winter issue was Vol. 71, no. 5; the issues indexed constitute Vol. 71, and not Vol. 70 as erroneously listed. *Foreign Affairs* regrets this mistake.

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